THE CHINA WEEKLY REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

May 11, 1940

Sympathy With the Allies Causes U.S. To Watch Japan

Will Stalin Sell Out China?

BY EDGAR SNOW

Nippon Terror Near Shanghai

Local Stock Market Boom

BY JOHN AHLERS

Norway Defeat Shakes British Cabinet

An Editorial

VOLUME 92 PRICE 50 CENTS (in China) NUMBER 11

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What People Are Saying

Comments from readers on current topics are cordially invited; their opinions, however, do not necessarily represent the views of *The China Weekly Review*.

NIPPON JUSTICE

To the Editor:

This will be far too late to be of any service in the case of Mr. J. R. Young, arrested in Japan for the crime of keeping his eyes open in China. It may, however, serve to draw attention to Japan's care for international law. In 1920, Mr. G. L. Shaw (British subject) of Antung incurred the enmity of the Japanese because he refused to allow the Japanese police to search his ships and arrest passengers. The passengers they wanted to arrest were "malcontent Koreans." "You can do what you like with them when they come your side of the river," said Mr. Shaw, "but I am responsible for these ships on this side and you have no business here." So, one fine summer day Mr. Shaw set out on a visit to Japan, was arrested as soon as he set foot on Korean soil, and it was a month before anybody knew what had become of him. The charge (never formally presented) was that of aiding and protecting Korean conspirators. That the charge was a false one was a minor matter. What was pointed out in the **Japan Chronicle** as soon as the story leaked out was that even if it were true, Japanese courts had no jurisdiction over a British subject for a political offense committed in another country. The decisive case is known as the Cutting Case, where the Mexican authorities arrested an American citizen on a charge of having acted contrary to Mexican interests outside Mexico. The United States Government insisted on his release. The semi-official **Herald of Asia** (Tokyo) cited a number of cases purporting to show that other views might be held on this subject, but in the end Shaw was released and even offered compensation—on conditions which he rejected.

Mr. J. R. Young's dispatches from China may have been utterly lacking in respect for the Japanese army. (Not many foreigners who have experience of the Japanese army in China can find a good word to say for it.) But the Japanese courts cannot do anything about it. So the course was taken of asking Mr. Young to speak to a meeting of Japanese business men and to contribute an article to the **Nippon Hyoron** ("Japan Review"), so as to provide grounds on which he could be prosecuted.

It is a very serious matter when Japan not only treats foreigners in this way but (as has apparently been done) prevents news from being sent abroad about it. You mention the "last uncensored message" about Mr. Young. Soon after his arrest three British subjects in Kobe were arrested. The first telegram said that Mr. H. J. Griffiths (a resident of thirty years' standing), Rev. F. E. Watts (chaplain of the Seamen's Mission), and Vincent O. Peters (said to be a ship's captain) had been charged with offenses under the Currency Law; another telegram said that the police refused to disclose what the charge was; and since then (for over a month) there has been complete silence. We get no word of how these victims of the Japanese gestapo are faring, but learn that friendly approaches are made, that Britain apologises for taking Germans off a Japanese ship, and that business with America is being carried on smoothly and amicably just as though the denounced treaty of commerce were still in effect.

Britain and the United States would certainly never have consented to the abolition of extraterritorial rights had they realized that as soon as she felt safe in doing so Japan would hold their citizens incommunicado in verminous, unheated cells for as long as the police found convenient and without any specific charge. Why should they lie down under such injurious treatment now?

A. MORGAN YOUNG.

Oxford, England,
March 7, 1940

HELL ON EARTH

To the Editor:

I have a friend who has just arrived here from Tsinan, the hell on the earth, and told me how piously and devoutly he should thank God for his lucky escape from a city where nothing but terrorism, oppression, persecution and disorder exist.

"The life of a man in occupied areas is too insecure compared with that of a man in Free China," said he. "You are enjoying freedom of speech, correspondence, domicile, migration, etc. Your life is exposed to danger or peril only when there is an air raid by enemy planes, but the life of a man in such occupied areas as Tsinan is at risk every minute, for a little suspicion or indiscretion in utterances, deeds, or correspondence may bring him to jail and lose him his head.

"Every movement of a man in occupied areas is being watched", he added. "One has to obtain a pass and a shop guarantor before he can migrate. He will be liable to imprisonment or possibly execution in case of any suspicion or doubt in the cross-examination by the police. No matter what he may be, a number will be marked by chalk on his bosom, while in the case of a lady a number will be marked on her back.

"In view of the terrorism and oppression the northern people appear to be more patriotic, nationalistic and hostile towards the enemy than the southern people," he told me. "Out of ten, only one or two are willing to be running dogs of their alien master.

"The entry of our guerrillas into Tsinan on several occasions in the previous year threw the local garrison, especially the Special Service Corps, into panic. There are invariably a large number of motor cars parked in the Special

THE CHINA WEEKLY REVIEW

Cable Address "REVIEWING SHANGHAI"

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Service Corps Headquarters just next to the German Consulate in readiness for evacuation or flight in case of a surprise attack.

"Tsinan is practically a dead city," he continued. "Flour and rice are not only expensive but also unavailable. The nominal selling price of flour is $16.00 per bag, but nowhere can you purchase it even if you should offer twenty dollars or more per bag. The wheat crop of the previous year proved a complete failure due to a prolonged drought. In the city, puppet bank notes are compulsorily used while the peasants ten miles beyond the city insist on using our legal tender. The blowing up of locomotives or trains on the Tientsin-Pukow Railway is almost a daily occurrence. No bus service in the Province has resumed operations."

No wonder the Japanese are weary of war and no longer willing to fight once they have got rich by means of graft or extortion. You may rest well assured that our enemy can never advance further inland. Instead, the time will come soon when they will collapse completely.

H. C.

Kanhsien, Kiangsi,
April 21, 1940.

NORDIC MISSIONARIES

To the Editor:

With the trouble in Norway, I wonder what will happen to all the Norwegian missionaries living in Hunan, Hupeh, and Honan. Many of them have been working in those provinces for 30 to 40 years, receiving their entire support from Norway. They will probably be heavily hit and find difficulty in supporting themselves.

M. W.

Chungking, April 10, 1940

NATIONAL CITY BANK OF NEW YORK

Rates of Exchange, Shanghai, May 8, 1940

Demand selling rate on New York: U.S.$1.00—Sh.$21.33

Demand buying rate on New York: U.S.$1.00—Sh.$21.05

Demand selling rate on London: £1.0.0—Sh.$75.29

Demand buying rate on London: £1.0.0—Sh.$72.45

AMERICAN STOCK AND COMMODITY QUOTATIONS

May 8, 1940

STOCKS

Amer. Locomotive	19¾
Amer. Waterworks	10
Anaconda Copper	29 1/3
Bethlehem Steel	86⅜
Chrysler	85½
Elec. Bond & Sh.	6⅝
Gen. Motors	54⅞
Goodyear T. & R.	20½
Gt. Nthrn. Rly., pfd.	27¼
Lockheed Aircraft	38¼
Mont. Ward	46⅝
N. Y. Central	15⅝
Texas Corp	46¾
U. S. Steel	60⅝

COMMODITIES

New York Cotton, May	10.55/55
New York Rubber, July	19.95B/99A
New York Hides, July	13.59/61
Chicago Wheat, July	105/104⅞
Chicago Corn, July	67¼/67⅜
New York Sugar, No. 4, Sept.	1.47½B/48A

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SYMPATHY WITH ALLIES CAUSES THE U. S. TO WATCH JAPAN

The Administration at Washington is thoroughly in sympathy with the Allied side in the European war but its experts estimate that the Allied chances of success are not better than fifty-fifty. Owing to the approaching national election, it is impossible for the United States to follow any other course than neutrality with regard to the contending sides in the European struggle. But since the Administration and the people generally sympathize with the Allied side, this has been responsible for three outstanding developments:

1—Renewed emphasis on supplying the Allies with latest type planes and other war materials.

2—Intensification of the American preparedness campaign.

3—Maintenance of a strict watch on the activities of the Japanese militarists.

While American policies toward Japan have been motivated almost exclusively by Japan's violation of the Nine-power Treaty, invasion of China and disregard for the rights and interests of American citizens in this part of the world, a new element recently has been introduced which may become even more important in causing the United States to depart from isolation in the region of the Pacific.

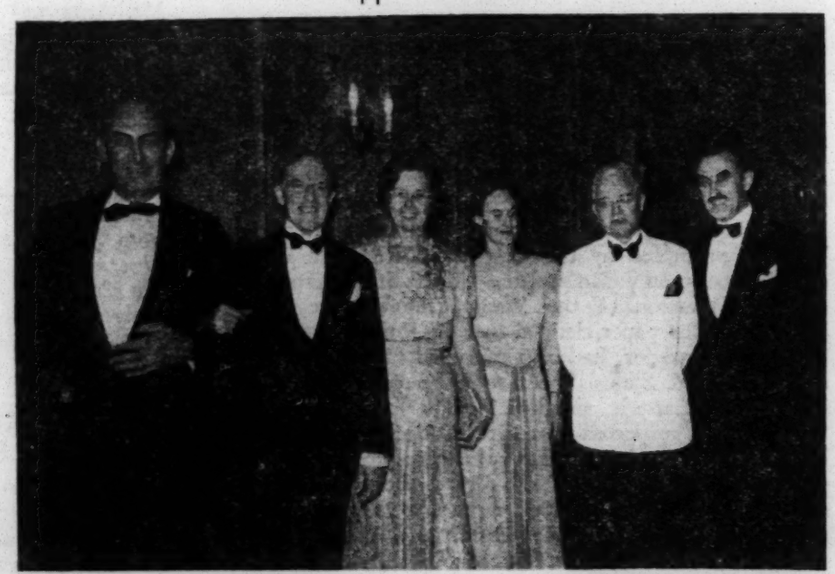
This element has been concerned with the belief entertained in high circles in the United States that the Japanese military cliques are only awaiting a favorable opportunity to jump into the European war on the Nazi side. The prevalence of this belief has caused many thinking Americans to link the war in the Orient with the war in Europe.

According to latest reports from Washington experts are convinced that the Axis (Berlin, Rome and Tokyo) is not dead as some would have the world believe, but is an active offensive alliance, which only awaits the proper opportunity to be galvanized into action. Hitler's coup with Stalin intervened and caused confusion in Tokyo and Rome, but Berlin is now devoting its best diplomatic effort to revival of the accord, with Russia as a member. Germany in a dozen different ways is telling Japan (and Rome) that a revival of the Axis and immediate action would quickly bring defeat to the Allies and permit the Axis powers to divide the world among themselves.

A dispatch from Rome on May 4 said that a Japanese naval mission consisting of three officers had arrived in the Italian Capital for an indefinite stay. Another Japanese military mission (army) was expected to arrive in Rome on May 14 and after a visit there was expected to proceed to Berlin. A third message from Bombay, India, (May 5) said that a Japanese economic mission, also headed for Rome, had arrived at Bombay and had been feted by the Italian Consul in that city. A *Domei* dispatch from Tokyo (May 4) said that definite plans had been decided upon for the manufacture of Italian Fiat airplanes in Japan. The activity was reminiscent of developments when the original Berlin-Rome-Tokyo Axis was formed.

Evidence of prevailing anxiety over this situation is provided by the diplomatic activity now taking place in the Japanese capital, the latest arrival on that stage being Francis Bowes Sayre, High Commissioner to the Philippines. That Mr. Sayre's trip to Tokyo is an extension of the "peace inquiry," of Sumner Welles in Europe is obvious to the discerning. But while Mr. Welles' trip to European capitals was for the purpose of discovering, if possible, current war objectives and reactions to a possible peace proposal, the trip of Mr. Sayre to Tokyo was—and *is*—of greater significance. While diplomats lack the frankness of admirals in discussing international relations—except on rare occasions

Nippon Bound



High Commissioner Francis B. Sayre, and Mrs. Sayre, were guests of honor at a dinner-reception given by Richard P. Butrick, Acting Consul-General, and Mrs. Butrick, while they were in Shanghai. Those in the picture were—(left to right) Capt. J. H. Magruder, Jr., Commander of the USS Flagship Augusta; Mr. Sayre, Mrs. Sayre, Mrs. Butrick, Leighton Shields, U. S. District Attorney, and Mr. Butrick.

—it is obvious that Mr. Sayre was sent to Japan for the purpose of informing the authorities of that country regarding America's intentions in the event Japan made any false moves in connection with developments in the European situation.

Aside from Rome, there has been more diplomatic activity in Tokyo than in any other world capital. The British and French were inclined to give way and compromise—until Mr. Sayre appeared on the scene. With Germany pressing in both Tokyo and Rome it looked as though almost anything might happen. The situation is still critical in Rome, but Japan apparently has been told that a policy of neutrality with regard to Europe would be conducive to a continuance of peace in the Pacific, at least so far as the United States is concerned.

U. S. High Commissioner Francis B. Sayre arrived in Tokyo on the evening of April 30 and on May 1 called on Hachiro Arita, Japanese Foreign Minister. The following day he had a 45-minute conference with Mr. Arita when, according to *Domei*, the situations in China and the Philippines were discussed. Yakichiro Suma, spokesman of the Tokyo Foreign Office, who in the opinion of many foreign correspondents would be more at home in the War Office due to his close relations with the army, definitely "played-down" the importance of the visit of Commissioner Sayre. Suma said that Sayre's visit was so brief it was unlikely that the conversations "would develop into important discussions." Suma denied reports of a worsening of conditions at Tientsin, indicated in news dispatches from that city, and claimed that an American woman was responsible for an incident by being "too dignified to alight from her car so that it could be searched by a Japanese sentry." He claimed that the woman later had apologized to the Japanese officials "and thus amicably settled the incident."

On May 3, Mr. Sayre was accompanied by Ambassador Joseph C. Grew on an official call and audience with His Majesty Hirohito in the Phoenix Hall of the Imperial Palace. Later, Mr. and Mrs. Sayre were granted an audience with the Empress in the Paulownia Hall of the Palace. On the same day, Sumner Welles, Assistant Secretary of State at Washington, announced that Mr. Grew had decided to cancel his plans for returning to the United States on leave this summer. Some time ago when Mr. Grew announced his intention of taking a vacation trip home, the Tokyo newspapers, under official inspiration, published articles and editorials alleging that Mr. Grew was returning home in order to resign due to dissatisfaction with Washington policy toward Japan.

The *Asahi Shimbun* expressed the belief that Mr. Grew's decision to cancel his trip "was not due to the impending resumption of his conversations with Arita, but was prompted by the lack of improvement in the situation between Japan and the United States, especially after the creation of the Wang Ching-wei regime at Nanking. The paper claimed that Sir Robert L. Craigie, British Ambassador, had also cancelled his vacation trip to the United States "because of new developments in the Far Eastern situation." The *Asahi*, another Tokyo daily, suspected that Grew's decision to remain in Japan was due to "recent British gestures for a rapprochement with Japan." The *Miyako* alleged that Sayre and Grew had tried to obtain a promise from Mr. Arita that Japan would remain neutral and guarantee the security of the Philippines "in the event America entered the war on the Allied side." The *Hochi* suspected that Sayre and Grew were trying to get Japan to observe the Nine-Power Treaty. Percy Whiteing, who holds the dual position of British propaganda representative in Japan and Tokyo correspondent for the *North-China Daily News*, thought that the Sayre mission to Japan was "something like a minor edition of the Welles trip to Europe!"

Foreign Minister Arita entertained Commissioner and Mrs. Sayre at luncheon on May 6, other guests present including Ambassador and Mrs. Grew. Mr. and Mrs. Sayre were scheduled to depart from Tokyo on Monday night for Kobe where they planned to board the President Taft for the return trip to Manila.

A *Reuter* dispatch from Washington (May 6) said there were fears in some circles that another Allied reverse "might precipitate Japanese action in the Dutch East Indies, which, in turn, might involve the United States. Administration officials were worried over the situation, the dispatch stated.

⁂

During the World War there were two or three occasions when it appeared that Japan was on the point of changing sides. These occasions usually coincided with the high points in the war on the part of the Central Powers. But on each occasion it was energetic American action which caused Japan to remain in the Allied fold. An American who occupied a high position in the War Trade Board after the United States entered the war, stated in a speech in Shanghai that it was the threat of an American embargo on raw materials to Japan, plus a tax on certain Japanese materials, especially raw silk, which were entering the United States, which caused Japan to follow an orthodox course.

⁂

Hachiro Arita, Foreign Minister, in an address before the Japan International Association in Tokyo on May 6, said that Japan "had practically no experience in being a neutral; that the Japanese people lacked training as neutrals." In the present war in Europe, Mr. Arita said, there had been many infringements of the rights of neutrals, and Japan would have difficulty in protecting her rights as a neutral. "At such a time," he said, "it was essential that the Japanese should realize the exact nature of the situation and deal with difficulties calmly and with nice judgment." He said that Japan's relations with the United States are "pretty bad," and it was his task not to aggravate them, even though Japan lacked a treaty of commerce and navigation by which to guarantee amity. He thought that the American Ambassador, Joseph C. Grew was of the same mind. Mr. Arita was especially outspoken against the "stupid blustering of chauvinistic elements" in Japan who advocated "taking China" following the occupation of Manchuria and who wanted to "punish America," after the Stimson statement. Such utterances are "sheer, stupid blustering that cannot be permitted to circulate." Japan's policy now was centered on settling Soviet-Japanese issues and regulating her relations with Britain and the United States, he declared. A dispatch by *United Press* from Tokyo on Tuesday evening quoted the *Japan Times*, occasional Foreign Office mouthpiece, as stating that Commissioner Sayre's talks with Arita "would probably lead to better understanding between the United States and Japan."

⁂

U. S. UNLIKELY TO INTERFERE IN MANILA BAN ON JAPANESE

MOST newspapers in the Far East thought the action of the Philippine Commonwealth Legislature in voting almost unanimously to restrict immigration into the country in future, was the chief cause of High Commissioner Sayre's trip to Japan. Later reports, however, indicated that while the subject may have been mentioned, it did not constitute the chief object of Mr. Sayre's trip.

This is not intended to imply that the question of Japanese immigration into the Philippine Commonwealth does not constitute a disturbing element in the relations of Japan and the United States. The vote on the part of the Philippine Legislature, 67 to 1, to restrict immigration into the Islands which averages from 2,000 to 3,000 annually, to a maximum of 500, may become a subject of serious import in the relations of Japan and the United States. This is due to the fact that while other Far Eastern countries are affected, particularly China, Japan was the only one to protest and attempt to stir up trouble about it.

The fact that hordes of Japanese have been flocking into China since the beginning of the Japanese invasion of this country in 1937, a fact which is well known in the Philippines, was not calculated to cause the Filipinos to weaken in their determination to prevent Japanese domination of their country. The fact that President Roosevelt has power to veto laws passed by the Philip-

pine Legislature, introduces one more disturbing element in the already complicated relations of Japan and the U.S.A. A dispatch from Manila (*United Press*) on May 2, following the passage of the immigration law, indicated that the Filipinos expected the Japanese to raise objections to the measure which was designed to restrict Japanese immigration by at least 70 per cent. Tokyo recently tried to bring pressure in Manila to increase the Japanese quota from 500 to 1,000 annually. Filipino Assemblymen rejected this proposal on April 20, pointing out that the new law did not single out the Japanese but applied to all nationalities.

That the enactment of the law will have the effect of increasing Philippine dependence upon the United States is obvious, because unaided the Filipinos would be unable to prevent their country from being overrun as has been the case in occupied areas of China where the Japanese boast that their population has increased ten-fold since the beginning of the Japanese military invasion three years ago.

That Filipino action to restrict Japanese immigration was necessary if the Commonwealth is to become an independent nation is generally realized, particularly by those familiar with conditions in the Province of Davao on the Island of Mindanao. If the reader will inspect the map of the Philippines, it will be observed that the Province of Davao occupies the southeastern end of the Island of Mindanao. Twenty years ago there were less than 8,000 Japanese residents in Davao (according to the 1918 census figures), but today there are said to be more than 20,000 Japanese in the province. In addition there has been a large immigration of Japanese into other parts of the Commonwealth, particularly in Manila and environs and at Baguio. But Davao has long been regarded with apprehension by intelligent and patriotic Filipinos because the Japanese have deliberately worked to "colonize" the province and its capital city, Davao. The Japanese are extensively engaged in the production and manufacture of hemp, an industry which they monopolize. In addition they control the extensive off-shore fisheries. Other industries of the region which they dominate are hard-wood lumbering, cattle-raising, mineral development and the copra industry. Davao is the only place in the Islands which is comparatively free of typhoons. The land is fertile and suited for agriculture, rainfall is evenly distributed throughout the year and natural resources are abundant. The charge has long been made that the Japanese have violated the anti-alien land laws, which restrict holdings of land by foreigners, a charge that caused the angry Californians of a preceding generation to ban Japanese immigration into the United States completely.

Today in China Japanese adventurers are dispossessing Chinese farmers and villagers of their lands and houses and the Japanese Army is confirming the Japanese carpet-baggers in their theft of Chinese properties.

Aside from the fact that the Japanese want Davao because it is rich territory, they have an added strategic reason for trying to establish a "base" there. Davao provides an excellent base for the naval control of the so-called Mandated Islands, lying to the east of the Philippines, which Japan seized from the Germans in the World War. Residents of the Philippines are certain that Japan has secret plans for seizing Davao Province, or possibly entire Mindanao Island. That they would do so if opportunity offered is obvious in the light of Japanese activities in China since the seizure of the Manchurian provinces in 1931 and actions in China since 1937.

The Japanese have found the sparsely-populated Philippines highly desirable, as they found neighboring Formosa desirable a few decades ago. But of all parts of the Philippines, they most fervently desire possession of Davao. Davao fits in with their imperial purposes admirably.

Shanghai Stock Market Boom—A Warning!

BY JOHN AHLERS

RECENT reports and financial returns of numerous Shanghai business corporations brought pleasant satisfaction to new shareholders, while bringing belated relief to older ones. China dollar profits considerably increased all round, and so has the distribution of profits. Many local companies last year showed the highest nominal profits in their history, and paid unprecedented dividends. Share quotations on the Shanghai Stock exchange improved correspondingly. Local share price averages on May 3, 1940, stood at 410.20 for general shares and 444.15 for rubber shares, as compared with 138.51 and 138.18, respectively, at the end of April last year. The averages show increases of 197 per cent for general shares, and of 222 per cent for rubbers.

The rates of current profit distribution by local companies naturally differ according to the period and prices at which present shareholdings were acquired. Take Ewo Cotton Mills, for example. The nominal value of the Ewo share is five taels, and dividends paid for last year total $5. A pre-war shareholder, in terms of foreign exchange, for 1939 obtains a return of some 12 per cent. A shareholder who bought last fall gets some 14.5 per cent. A buyer of Ewos dating only from last month will calculate a return of less than five per cent. The percentage of share price appreciation also differs. A pre-war shareholder, in term of American currency, finds his capital investment in Ewos almost doubled. A buyer of last fall finds Ewos at more than double his purchasing price. An April buyer, however, sees Ewo share quotations not yet sufficiently increased to make good for the Chinese dollar's latest depreciation.

Similar considerations are in order as regards other Shanghai Stock Exchange values. But as to the height of profits and share price increase, Ewo Cotton mills are an exception and not the rule. Cotton mills thus far have marched at the head of the recent local prosperity. An early termination of the Shanghai cotton industrial boom was predicted frequently, and careful reading of chairmen's speeches at annual general meetings of cotton mill companies indicates that directors are by no means blind to the limitations and uncertainties of that boom. For the time being, however, local cotton mills show increasing activity and it yet remains to be seen whether the latest currency depreciation will exercise any restrictive influence. Cotton industrial activities, for the past 18 months, occupied a key position in Shanghai business, determining its general trend to an entirely unprecedented extent.

The other stock company group leading in increases of profits and share price appreciation is that connected with port and shipping activities. Pure shipping encounters difficulties in exploiting boom conditions, as evidenced by governmental requisition of vessels of British companies. Mollers Limited appears to have been well advised when this company last fall invested liquid funds in French Bund real estate rather than in additional bottom space. But such companies as Wheelock, Shanghai Dockyards, Shanghai & Hongkew Wharf, as well as insurance firms playing a prominent part in local marine insurance, are pet children of the boom. Here earnings are either in Sterling and American money, or at least largely upon the basis of foreign currencies. The extent of these earnings reflects shipping scarcity and expensiveness resulting from the European war.

Wheelock earned the undisputed title of Shanghai Number One War Baby. This holding company, controlling the Shanghai Tug & Lighter and G. E. Marden companies, for its current business year first paid an interim dividend of $6 against $2.50 ad interim in the previous year. It then followed up with a huge stock dividend, by distributing new shares one per one at $25 when the market value of the older shares was seven times higher. These distributions, and expectations of yet higher profits, boosted Wheelock share quotations from $28 in September last to a temporary peak of over $270 last month, i.e. by almost ten times. The subsequent strong reaction, in the midst of wild speculation, brought Wheelocks down again by a hundred points in a few days, but soon after the shares recovered somewhat from the blow until they were quoted at $220 on May 3, eve of the actual issue of the new shares.

Basic conditions at the bottom of the Shanghai cotton and shipping booms, in some respects, differ substantially. In the cotton industry's case, record demand for local cotton yarn and cloth is the outstanding factor. Record earnings from shipping, on the other hand, chiefly result from the prevailing scarcity, expensiveness and restrictions of shipping. In both instances, however, the recent huge earnings are finally determined by the depreciations of the Chinese dollar. This depreciation not only yields much higher local currency returns from earnings in, or upon the basis of foreign exchange. It also enormously reduces the real income of Shanghai laborers and employees who find themselves refused adequate readjustments of their nominal wages and salaries. While the Chinese dollar dropped below one-sixth of its pre-war value, and the Shanghai price level rose to more than four times the pre-war level, the multitude of local wage and salary earners today gets far less than twice the nominal pre-war pay. The real income of these unfortunates has been cut in less than half, and that of many is but one-third or one-fourth of pre-war times. Most of the difference between present and former real income of laborers and employees is going to the credit of profit and loss accounts of booming Shanghai companies whose wider margin (in terms of foreign exchange) between current income and current expenses accounts for a large percentage of recent profit increases.

Such conditions are decidedly unhealthy and, in the end, will turn against the corporations which are the boom's pet children. Too much of the current business boom in Shanghai is of the inflationary sort which, while boosting nominal value and income figures, slowly but steadily devours the very substance of business, and leads to general economic and financial exhaustion. Such developments are clearly indicated by the reports and returns of company groups which march in the rear of the Shanghai boom, such as public utility and real estate corporations. True, share prices also of these companies have considerably appreciated, but in these instances higher stock exchange quotations cover up a deterioration of business conditions.

Turning to public utilities, we find Shanghai tramways for the past year distributing a five per cent Sterling dividend, which is two per cent lower than the year before, and three per cent below the dividend of two years ago. Yet even this diminished dividend was made possible only by another transfer to profit and loss account of £10,000 from reserves. Such transfers were made in the previous years, too, and as a result the company's reserve fund dwindled from £118,271 back in 1936 to £40,868 at the opening of the current business year. Taking into account the drop in the London-New York cross-rate, this reduction of reserves surpasses 75 per cent. Shanghai Waterworks, despite strongly increased local dollar income, has its reserves exhausted and is compelled to carry forward shortages in dividends, with shareholders falling into arrears as regards guaranteed dividends. Shanghai Telephone saw its nominal earnings last year increase three times over the year before, yet net earnings were but 5.5 per cent of the book value of this company's investments which is still made out in pre-war figures, and but 1.6 per cent of those investments' present value. In terms of foreign exchange, these earnings simply are insignificant.

Shanghai public utilities are not in a position to increase charges for their services at the rate of the Chinese dollar's depreciation, and the same applies to real estate corporations, too. Rent collection in terms of foreign currencies is far below the pre-war level. Anglo-French Land last year collected but 25 per cent more local dollar revenue than in the last pre-war year. This has disastrous results where real estate companies are loaded with foreign exchange obligations. Cathay Land, for instance, at present is burdened with a foreign exchange indebtedness far larger than the value of the company's properties, and if the creditors will not write off at least part of that debt, the company's shares will be worth nothing. Shanghai Land Investment has been unable to resume the payment of dividends even for the past year. Shanghai transactions in real estate, in local currency figures, sharply increased during the past seven months, but there is little encouragement of new building activity which this spring shows a very marked decline as compared with last fall and winter.

The Shanghai Stock Exchange failed to discriminate sufficiently between the various groups of shares, as well as between individual shares in the same groups. Many shares in recent months went along with the general rise of share quotations without any visible reason why they should have been taken along. There was so little discrimination between rubber and general shares that during the year ended April 30, 1940 the averages of both groups rose to exactly the same extent. Three factors which have little to do with the earning conditions of various stock companies were chiefly responsible for this development. The first was the influx into Shanghai, subsequent to the outbreak of war in Europe, of huge mobile capital funds which preferred engagement in speculation. The second is the spread of speculation to a broad mass of petty speculators formerly alien to the Shanghai Stock Exchange. Groups of office boys hold between them a single Wheelock or Ewo share, and petty brokers accept marginal stock transactions upon bases of $100 and $50 securities. The third factor is the inflationary trend towards conversion of monetary funds into "real" values supposedly represented by all sorts of stock.

Many prices paid for shares on the local Stock Exchange would be justified only if a continuation of present boom company earnings could be expected for periods of 15 and more years to come. Such expectancies are nothing but hallucination. The uncertainties threatening the present Shanghai business situation are enormous, and no sound business man would venture to make a guess as to conditions but a few years ahead. In this situation, from the point of view of investment returns, any Shanghai share would appear to have been paid for excessively if it does not promise immediate returns of at least 20 per cent. But investments in shares seem to be made less with a view to returns in dividends than with the hope of harvesting quick profits from further nominal appreciation of capital. This forebodes disaster, and woe to those who get caught.

Inflation tends to veil the real issues and to blind the eyes of those who lose touch with realities. Inflation makes stock corporations run the danger of effecting profit distributions too high, and of neglecting to build up adequate reserves for the inevitable deflationary crisis which is bound to follow afterwards. The threat of depreciation to liquid funds tends to mislead directorial boards into neglecting a reasonable amount of liquidity of their enterprises. There are some notable exceptions

from this general rule in Shanghai, but these exceptions are all too few. Truly golden words of warning, in this direction, were spoken recently at the local annual dinner of the Society of Chartered Accountants in China by Mr. H. R. Cleland, words that every local business man in the coming months ought to read over and over again, and to keep at heart. Mr. Cleland advised as follows:

"I would suggest therefore that it should be the policy of directors and other businessmen to make provision for the future by the accumulation of reserves in order to guard against those perils to the body economic and commercial, the nature and extent of which in these days of stress no man can foresee . . . I confess I can give no Golden Rule for investing reserves in time of inflation, but I would suggest that reserves provided should be ample and that the nature of their investment be as diversified as possible with special regard to their liquidity."

Confucius Says-----

(Charles R. Shepherd, in Chung Mei Chronicle, El Cerrito, California)

ONE does not have to be a worshipper of Confucius; in fact one does not have to be a follower of the cult which bears the name of that famous sage in order to be irked by the senseless banalities which of late have been sweeping the country under the caption, "Confucius says."

To our Chinese friends such assininities must be extremely irritating. To some, indeed, they must be almost as offensive as similar nonsense attributed to Jesus of Nazareth would be offensive to the Christian. Certainly, to the cultured Chinese, they must be no less objectionable than it would be to us should we, in some foreign publication, find such inanities attributed to a great American, say, for instance, George Washington or Abraham Lincoln.

To be sure, no intelligent person believes for a moment that Confucius was responsible for any of these "foolishments" to which his name has been attached. At the same time, there is an irony about the association of these sayings with the name of one who was wont to say to his disciples, "For one word a man may be deemed wise, and for one word he may be deemed foolish."

From the mouth and pen of this great sage emanated many wise sayings and helpful utterances, and much profound philosophy, but never anything trivial. Unlike some of our Western sages of the past and present, he was in no sense a wit or a satirist, but a serious-minded, almost severe-minded, philosopher. He may not have been at all times right in his deductions, or sound in his conclusions, but he was never banal or frivolous. "To see the right and do it not, this is cowardice," said he upon frequent occasions. "If you have faults," he told his disciples, "do not fear to abandon them." And, apropos of certain worthless individuals, he was given to remark, "Rotten wood cannot be carved." We of the Western world set great store by a certain saying of the Galilean, which we have come to speak of as the Golden Rule. Five hundred years before Jesus lived, Confucius gave his disciples the same idea, save that it was in negative form. "Do not do unto others," said he, "what you would not like done unto yourself."

This K'ung Fu-tsu (i.e. K'ung, the teacher) whom we call Confucius, was born in the year 551 B.C., in what is now known as the Shantung Province. His father was a noted military leader of great courage, who died when the boy was but three years old, leaving him to be brought up by his mother, a woman of culture and refinement. As a child he showed a marked fondness for religious exercises. He was studious and bright; and by the time he reached the age of twenty-two he had made a reputation for himself as a scholar and teacher. In later years he reviewed his own intellectual and spiritual development as follows: "At fifteen I was bent on learning; at thirty I stood fast; at forty I had no doubts; at fifty I knew the will of God; at sixty my ear was open to the truth; at seventy I could follow my desires without transgressing."

He was married at the age of nineteen; but according to reliable records his marital life was not a happy one. This may in some measure account for his rather dubious utterances concerning the opposite sex. "Women," he is credited with having said, "indeed are human beings, but they are of a lower state than men. They can never attain to full equlality with them . . . It is the law of nature that woman should be in subjection to man, and not allowed any will of her own." Upon another occasion he said, "Women, and people of low birth, are very hard to deal with. If you are friendly with them they get out of hand; if you keep your distance they resent it."

Contrary to a somewhat popular misconception, however, Confucius was not a recluse, or in any sense ascetic. According to his most noted biographer, Ssuma Chien, the great Chinese historian of the second century B.C., he was companionable, fond of music, an expert with the flute, enjoyed outdoor sports, was proficient in archery, loved horses and dogs, and indulged in hunting and fishing. Concerning these latter, it is recorded that in fishing he used a line, never a net, and that he never shot at a bird while it was at rest. All of which seems to indicate that he must have been a very likeable person, a natural man among men, and a good sportsman to boot.

Early in his life he became deeply concerned over the evils about him. "Are the people starving?" he asked. And he answered, "It is because the rulers consume too many taxes." That he was keenly alive to the misgovernment and oppression with which the country was afflicted is strikingly revealed in the following incident. Finding one day a woman weeping, he asked the cause of her sorrow. The woman replied, "My father-in-law was killed here by a tiger; later my husband was also killed by a tiger; and now my son has suffered the same fate." Asked why she did not leave the community, the woman replied, "Here, although there are tigers, there is no oppressive government." Turning to his disciples the sage remarked, "Bear ye that in mind, my children, oppressive government is even more terrible than tigers."

Like many another great teacher, he was accorded scant appreciation while he lived. He was considered a visionary, too impractical for a workaday world, and too stern a moralist. He made no claim to divinity, nor to divine inspiration, yet several centuries after his death he was canonized; monuments and temples were erected to his memory; and he became an object of worshipful veneration. In the hearts of more than four hundred million Chinese his memory is enshrined today, and the pathway to his grave in Shantung Province will doubtless be worn by pilgrim feet of generations yet unborn.

From among his notable utterances there remains room for but a few more. Confucius said, "The mind of the superior man is conversant with virtue; the mind of the mean man is conversant with gain." "Formerly I listened to men's words and took their actions for granted. Now I listen to their words, but I also watch their conduct." "He who knows not the will of God cannot be a superior man." "He who offends against heaven has none to whom he can pray."

Wishful Thinking Wins Only Paper Victories

THE withdrawal of British and French troops from southern and central Norway, carrying with it a tacit admission of the failure of the Allied expedition, has been causing acute embarrassment to those who sought to portray the military undertaking as one which bid fair to end in the delivery of a smarting blow —if not worse—at Nazi war plans. In Shanghai, the development of the campaign was interpreted to British subjects in the editorial columns of the *North-China Daily News*. The paper displayed considerable ardor as a propagandist for the Allied cause, but little ability as a military expert. It is interesting to trace the progress of the campaign as it was portrayed from day to day by the British editorial writer.

On April 12, when Allied troops made landings in Norway, the N.-C.D.N. wrote: "If everything progresses as satisfactorily on the Norwegian coast as it has up to the present, since Great Britain went to the assistance of that much injured country, Germany is in a fair way to meeting a reverse which may have a considerable influence on the manner in which she will continue to conduct the war . . . The German high command appears to have made a miscalculation based . . . on the belief that Germany did hold command of the North Sea . . . Nor is it likely that the Allies will retire from the ports they have already occupied, or those others which they hope to capture in as quick a time as possible . . . It is but to be expected that Germany will seek to take a big revenge for the blows which have been inflicted upon her . . . When the news of this reverse to German arms percolates into Germany, as assuredly it will, it may be expected to have a profound effect on the *moral* of the people."

APRIL 13

"The Allies have cut the iron ore route from Narvik to Germany, and it may confidently be expected that it will remain cut, and at the same time a smashing blow has been given to German prestige from which it will take that nation a long time to recover. The German high command either because of miscalculation, or because of sheer desperation have seen what might have been a tactical success transformed by the energetic action of the Allies into a strategical blunder of the first magnitude . . . The general picture is presented of Germany slowly strangling in the grip of the blockade thrashing out in all directions in an endeavour to obtain some relief . . . The initiative still remains with Herr Hitler, but if it proves no more valuable to him than it has with regard to Norway he would appear to be perfectly welcome to it."

APRIL 15

"This additional victory (the alleged sinking of seven German destroyers), and the laying of the enormous 420-mile-long minefield designed completely to cut Germany off from the Norwegian coast constitute two further severe blows to the German aspirations on the Scandinavian peninsula, and reveal in its entirety the blunder which the German high command made when it launched upon its rash adventure. It, in fact, overreached itself and is now paying the penalty . . . the necessity of bolstering up the forces which were sent out on this mad errand may even now force the Reich to attack Sweden . . ."

APRIL 16

"Should he (Hitler) persist in the grave error he has already committed he will have completely played into the hands of the Allies, and have demonstrated that the experience gained as a corporal in the last war has stood him in little stead as chief strategist in the present struggle."

APRIL 17

"When these facts are borne in mind it is clear that Herr Hitler has very dangerously overreached himself, and he has opened the way for the Allies to administer further blows, and such as should contribute largely to the confidently expected German defeat . . . Only the future will tell how far the German military experts agreed with Herr Hitler in launching this movement . . . The chances are that in this case their advice was overruled unless, of course, they were completely misinformed as to the real situation in the North Sea."

APRIL 22

"It will be seen as a result of this rapid survey (the N.-C.D.N.'s own) of the situation that the claim that the Allies emerged from last week in a sounder position than they entered it is completely justified. The world is witnessing a steady improvement in the Allied position as each month passes, and the confidence with which the Allies entered this struggle, is being increasingly strengthened."

"First Catch Your Bird . . ."

London Daily Mirror

APRIL 25

"The only success that Herr Hitler has achieved by his would-have-been lightning stroke against Norway is to have opened up another arena for fighting, and to have brought the German navy to such disaster that it ceases to have any very great practical value as a fighting force, and runs the danger of even further whittling down as it endeavours to convoy German transports across the Skager-Rak."

APRIL 27

"Despite flamboyant German claims of important successes in Norway against the Allied troops, a survey of all reports, including the German, clearly indicates that no action of major importance has as yet occurred, and that all that is happening at the present amounts to no more than sparring for position . . . The constant bombing of German air bases established in Norway is having the effect of rendering them practically useless, and as long as this can be maintained, the utilization of greater German air strength than that at present in operation, must remain a matter of considerable difficulty . . . Thus, despite inflated German claims, the situation is such as to give no cause whatever for undue anxiety, for paper victories do not win wars."

APRIL 29

"As has already been pointed out in these columns there is no reason to view the situation in Norway with any great degree of anxiety. It must always be a matter of time, when an enemy has made a surprise move such as the invasion of Norway, before the country invaded and those willing to assist her can bring sufficiently large forces into action . . . Within a short space of time something in the nature of complete parity will be obtained with the Germans, if it has not been secured at the present moment, and the enormous assistance which the German forces have received from the air will be offset by similar help given to the Allied troops. There is nothing in the situation to suggest that the Allies have made any mistake in going to the aid of Norway, but rather that they made a wise move when belatedly they set out to neutralize the effect of the sudden descent of the Germans upon that country. The Nazi *Blitzkrieg* in Norway has been thwarted . . . There is very little hope indeed that the Germans will be able to maintain their troops in the Trondheim area from Oslo, but a great deal to justify the belief that the enemy in that region will in due time be effectively dealt with."

MAY 2

"While the Germans have undoubtedly made some progress in Norway there is no justification for their claims that anything in the nature of a decisive battle has either been fought or won. All that has happened up to the present are but mere skirmishes as compared with what may be expected in the not too distant future . . . Nothing is further from the truth than that the Allies have been crushed in Norway . . . The campaign in Norway is by no means ended; it has hardly begun, and Herr Hitler may have an entirely different story to tell in the not too distant future."

MAY 3

"The fact of the matter is that the Germans at present have the advantage in the air over Norway. It must be the policy of the Allies to wrest that from them . . . . Considering the disadvantages under which the Allied troops are operating, nothing but the highest praise can be given them for the manner in which they are continuing the struggle."

MAY 4

"The announcement made by Mr. Neville Chamberlain in the House of Commons, on Wednesday, to the effect that the Allied forces had been withdrawn from the area south of Trondheim, was marked with a complete frankness which has been especially noted and welcomed in the French press. The German high command on the other hand are naturally endeavouring to magnify their success, and there is a possibility that they are becoming so vociferous over the matter that they may rob themselves of some of the psychological fruits of their victory. The attempt by the Allies to halt the invasion of Norway has not been shattered, while the claim to have forced the British to headlong retreat is obviously false when it is recalled that the British were able successfully to withdraw their troops from the threatened area . . . all the evidence points to the fact that a wise decision in the circumstances was carred through with workmanlike precision. And so one phase of Allied intervention in Norway comes to an end. But it is only one phase, and the world will rest assured that the enemy will not be left in quiet possession of what he has gained by the superiority which initiative and surprise gave him . . . If it was the German intention to lure the Allies into a large scale commitment in Norway for the purpose of being able to commence some new adventure elsewhere with some prospects of success they have been foiled . . . Whatever it has won up to the present, and it is the Allied determination that this shall only be a temporary success, it is very considerably offset by the price Germany has had to pay . . . It has to be remembered that it is the last victory which counts."

MAY 6

"The withdrawal from southern Norway is not a withdrawal from the whole of that country . . . and there is no question of abandoning Norway to the tender mercies of the German invaders. That the reverse which the Allies have suffered is a serious one nobody for one moment will deny. It is not admitted, however, that it will have very much influence on the final outcome of the war, and in this respect it may prove productive of good results so far as the Allies themselves are concerned."

In an editorial on May 2, from which one of the above excerpts was taken, the *N.-C.D.N.* sniffed disdainfully at Hitler's "song and dance" about German victories in Norway. "It may be taken for granted," the paper declaimed, "that all Herr Hitler's small poodles are for his purpose great big lions, and all this banging of the big drum is largely for home consumption." It now transpires that some of the "great big lions" which the *N.-C.D.N.* conjured out of the Allied bag are quite small poodles. Some of the later predictions of the paper still await historical verification, but if they turn out no differently than those made in the first stages of the campaign, the paper should get a new editorial writer on military affairs. Prophetic wisdom does not seem to be a strong point of the present editor of the *N.-C.D.N.* Wishful thinking has been substituted for analysis—wishful thinking set down with a smug disregard of the obvious and a generous admixture of complacency and vain boasting. This sort of thing is not good for morale. Perhaps the cold douche of unpleasant reality in this case will drive home the lesson—which Hitler seems to have learned long ago—that "paper victories do not win wars."

Knickerbocker Wants U.S. In

(Time Magazine, N. Y.)

FOR ten years H. R. Knickerbocker covered Central Europe. For a series of 24 articles on "The Red Trade Menace" in the *Philadelphia Public Ledger*, he won a Pulitzer Prize. Edged out of Germany after Hitler came to power, Knickerbocker colorfully reported wars in Ethiopia, Spain and China for Hearst's *International News Service*, saw German troops march into Austria, then into Czechoslovakia.

Later, after one month on the Allied front, covering World War II, he got a new urge, took leave of absence from *I. N. S.* flew back to the U. S. by Atlantic Clipper to lecture on Europe.

Said he, at his 71st lecture in Minneapolis recently: "If one were an international bookmaker, he would be busy now changing the odds in favor of Germany and Russia against the British and French. Until the Finnish peace, odds were 55-to-45 for an ultimate Allied victory. Now they are reversed."

The urge which drives slight, bespectacled Lecturer Knickerbocker, with his shock of wavy, flame-red hair (balding on top), is his belief that this is very much a U.S. war. He makes no secret of his Franco-British sympathies, believes the war may last six years or longer, end in a Soviet Europe. In his first lectures he called for outright U.S. intervention. Now he no longer flatly advocates intervention in his lecture; but in the question period that follows, he generally makes his conviction amply clear. So far he has told an estimated 70,000 people his belief that:

1. The Treaty of Versailles was too lenient, not too hard.

2. If Hitler wins, the U.S. will be not much better off than Czecho-Slovakia was in 1938, will have to face the combined fleets of Germany, Italy, Russia, Japan, England, France.

3. The U. S. should throw its whole weight behind the Allies, send no troops, but arms and money, an air force, the U. S. Navy.

With 17 more speaking dates before his tour ends next month with Finland defeated, last week Knickerbocker's voice took a more urgent tone as he talked with isolation-loving students at the University of Minnesota. Said he: "Why all this talk about not being emotional? What did God give us emotions for? To protect us from fear, of course . . . ."

The Kuomintang Case Against the Communists

Editorial Correspondence

(Concluded from last week)

III. Annihilation of the Anti-Japanese Armed Units by the Communist Forces.

The policy of the 18th Group Army (new name for the 8th Route Army after its expansion) is to expel all the Kuomintang and other anti-Japanese armed units from Hopei, Chahar and Shantung. They have resorted to various methods to achieve this purpose, such as disseminating rumors alleging that a certain unit was organized by traitors or "Trotskyist bandits," launching surprise attacks on friendly armies when they are exhausted after engagements with the enemy, or enforcing an economic blockade against the Government troops as well as the provincial authorities.

Gen. Chang Yin-wu, Commander-in-Chief of the Hopei People's Army and concurrently Commissioner of Civil Affairs for Hopei, has been branded by the Communists as an "expert" in creating "frictions." Even up to now, they still blame Gen. Chang as the instigator of the Hopei Incident. (The Hopei Incident occurred in central Hopei in December, 1938. It was alleged that certain units of Gen. Lu Chung-lin's Army which were then ordered to march northward from Nankung to check the enemy's advance were suddenly encircled and attacked by more than 3,000 Communist troops. As a result of the attack, most of the units were disarmed by the Communists. Gen. Lu Chung-lin is chairman of the Hopei Provincial Government and Commander-in-Chief of the Government forces in Hopei).

Between Dec. 15, 1938 and Aug. 29, 1939, more than 16,000 troops under Gen. Chang's command were attacked by Ho Lung's and Chao Cheng-chin's units and other detachments of the 18th Group Army. All those troops were subsequently liquidated and finally, Chang Yin-wu himself was forced by the Communists to leave Hopei.

Despite the departure of Gen. Chang from Hopei, incidents between the Communists and other anti-Japanese armed units have continued. On Jan. 2 this year, Gen. Chao Tung's (commander of the 7th Detachment of the Hopei People's Army) units were entirely annihilated by Ho Lung's troops at Lingshan. Commander Chao was killed in action. On Jan. 11, Li Pun-hsing's unit of the Hopei People's Army was liquidated by the Communists at Hsingtai. Li was also killed. On Jan. 12, Chiao Ming-li's unit was wiped out by Wang Chang-kiang's and Li Chiung's Communist troops at Chenhsien.

Many clashes between the Communists and anti-Japanese armed units also occurred in Shantung. From September, 1939 to January, 1940 a large number of Peace Preservation Corps units in Shantung was attacked and annihilated by the Communist troops, namely, the 8th Brigade of the Peace Preservation Corps at Pohsing, the 9th Detachment at Lutung, the 27th Brigade at Chaoyuan, the garrison force at Yuncheng, and also other armed Corps organized by the people themselves for self-defense.

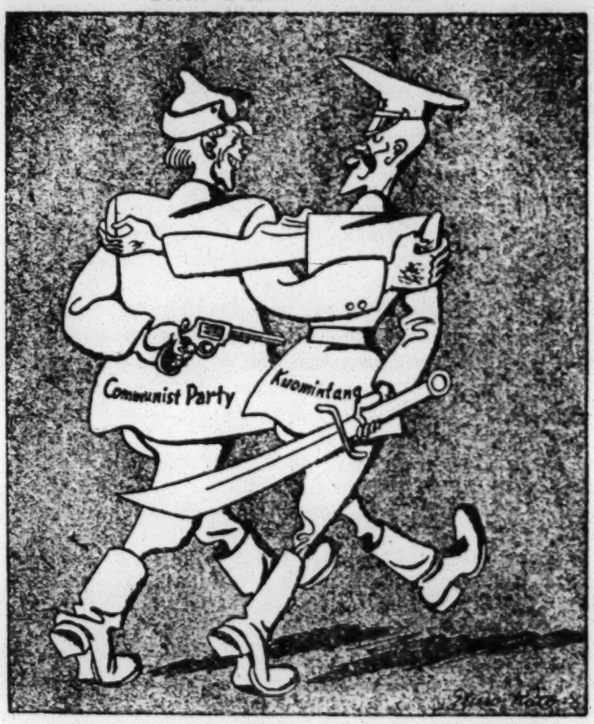
In short, the Communists are much more bitterly antagonistic toward friendly armies than toward the enemy. Every possible means has been devised by the Communists to wipe out organizations and armed forces which are not under their control.

IV. Acutal Condition Regarding the Guerrilla Operations of the Communists.

The Communists have been noted for their guerrilla tactics. With such tactics, they have engaged the Japanese in northern Shansi, northern Shensi, Charhar and Hopei. They have scored considerable success in battles in the Chungtiao, Wutai and Taihang mountain ranges. But since their occupation of the Shansi-Hopei-Chahar border districts last spring, they have devoted their efforts to the expansion of their party and army and their influence in the area. They have concentrated their guerrilla attacks on friendly armed units rather than on the invaders.

On July 7, 1938, more than 10,000 troops under Chen Tsai-tao and Chow Kuang-tseh of the 18th Group Army converged on Wang Tsi-yao's unit of the Hopei People's Army at Peiniuchuang, Jenhsien from three directions. At the same time, more than 300 Japanese troops were attacking Wang's men from Lungping,

"Until Death do us Part"



East Asia Review (Japanese)

Yiaoshan and Naichiu. Though numerically stronger than the enemy, the Communist units fled without firing a shot at the enemy and left Wang's men to their fate.

The number of Japanese troops stationed at various points in central Hopei is about 10 to 100 men at each point. Between the various points stretching for distances of several tens of *li*, they maintain contact with one another by trucks. Had the 18th Group Army concentrated their guerrilla operations on the enemy in Hopei, the Japanese would have been forced to defend their rear and would not have dared to transfer their forces for the invasion of Kwangtung and Kwangsi. Hence, a folk song has come in vogue among the Shansi people: "The Government troops are the real fighters of the war; members of the Dare-to-Die Corps (newly-organized units of Shansi) are beggars; while the 8th Route Army men are refugees hiding here and there."

Gen. Chu Teh and other Communist leaders, in a recent circular telegram, declared that it was a gross insult to the 18th Group Army to blame them for merely moving here and there without resisting the enemy. But, as a matter of fact, the 18th Group Army have moved around in the rear but not the front and those they have attacked are not the enemy but friendly armies.

V. Slaughtering and Exploitation of the Innocent People by the Communists.

Since January, 1938, numerous innocent soldiers and civilians have been killed by the 18th Group Army.

According to available statistics, the total number of army officers, soldiers, Kuomintang members and government officials who have died at Communist hands has reached 1,000. From September 16 to December 7 of 1939, a total of 35 cases involving the killing of innocent people in southern Hopei by the Communists was reported. Some 92 persons were stated to have either been burned alive, executed or missing.

Lately, a number of local government officials as well as some members of the Provincial Officers' Training Corps were reported to have either been burned alive or executed. Among them were Chang Mien-tsi, magistrate of Sinli; Chu Ying-tsi, magistrate of Kucheng (Hopei); I Keng-hsin, Wang Teh-lu and Chang Shu-jen, inspectors of the Shantung Provincial Government; Yen Jen-shan, official of the First District Directorate of Shantung. The Communists brand the property-owners as capitalists and non-Communists as conservatives. Those who refuse to pay taxes or contribute funds to the Communists are executed upon the accusation of being either traitors or Trotskyists.

Most recently, Hsu Hsiang-chien's units of the 18th Group Army in Shantung killed more than 100 people in Yihsien, Feihsien and Suanghochen. They also attacked militia units at Isui and Chuwei, where they burned down houses, killed civilians and plundered the people. At that time the people in the 4th district of Isui were fighting against the Japanese. Taken by surprise, many of them were killed by the Communists.

VI. Instigation of the Newly Recruited Troops in Shansi to Revolt.

Instigated by two Communist agents, namely, Han Chun and Po I-po, twelve regiments of newly-recruited troops in Shansi staged a mutiny. A punitive expedition was launched by Gen. Yen Hsi-shan, Commander-in-chief of the Government forces in Shansi. At first, the Communists praised the mutineers as progressive elements. Later, they openly offered their assistance. In defiance of orders from superior authorities, the 359th Brigade of Ho Lung's troops refused to march to northern Shensi and Suiteh. Recently, without authorization, they returned to northwestern Shansi and incorporated the mutineers into their own organization. The Communists announced that they would completely occupy northern Shensi, northern Shansi and northern Hopei and expel the Central Government troops from Shansi, Hopei and Shantung. Here is revealed the ulterior motive of the Communists in their campaign in North China.

VII. Expansion of the Communist Army and Disruption of Finance.

Since the 18th Group Army is part of the Chinese national force, its organization, equipment and maintenance should have been subjected to the control of the Military Affairs Commission. Despite fair treatment accorded them by the Commission, the 18th Group Army leaders, after obtaining funds from their superior authorities, have used them to expand their own force. They have hired ruffians and local bandits to organize the so-called "storm-troopers." As a result of this unlawful expansion, they have increased the number of their troops to 200,000. The monthly pay of a soldier is only a dollar, while that of an officer is from two to five dollars (a division commander receives only $5). Other expenses are defrayed from funds collected in localities where they are stationed. Because of the extremely low pay, the new Communist recruits have resorted to all means to exploit the people.

The Communists have claimed that the 18th Group Army, despite hunger, have been fighting the war of resistance and have blamed the Central Government authorities for unfair treatment accorded them. As they have expanded their army without restriction, naturally they cannot find a way to maintain themselves. Unless they abandon their illegal expansion program and refrain from misusing funds from the Government, they can never relieve themselves of the difficulty of maintaining such a vast army.

The Communists have resorted to various methods to obtain money from the people. In addition to the levying of taxes and rents, and protection of smuggling of Japanese goods, they have established the so-called Kuanghua Store, Peihai Bank, Shangtang Native Bank, Southern Hopei Bank and other financial organs in an attempt to undermine the legal tender notes and to disrupt the financial system. At the beginning, the Southern Hopei Bank issued three million dollars worth of notes, while the central Hopei branch of the

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Frontier Bank issued $2,500,000 worth of notes. Within a period of three months, legal tender notes were withdrawn from circulation.

Meanwhile, the Communists forced the people to use the newly-issued notes, claiming that they had been authorized by the Ministry of Finance to do so. As a matter of fact, the Ministry of Finance has never approved what they have done. Notices were issued everywhere to the effect that the circulation of notes issued by the four government banks had been banned and that those who continued to use them would be punished as traitors.

Besides, the Communists also formed societies for granting loans to people in different districts and villages of Hopei, through which the circulation of the notes issued by their Southern Hopei Bank was encouraged. In eastern Hopei, they set up the Paihai Bank, which issued more than $30,000,000 worth of notes. Since the revolt of the newly-recruited troops in southeastern Shansi, the Communists have increased their propaganda in different districts. The finance bureau of the various hsien (district) governments refused to accept legal tender notes and provincial banknotes, thereby artificially enhancing the value of the notes issued by the Southern Hopei Bank and the Shangtang Native Bank. At Chen-

cheng and Kaiping, they purposely devaluated the legal tender notes by declaring that one legal tender dollar was worth only seventy cents of a Shangtang Native Bank note. Notes of the Southern Hopei Bank were also put into circulation in Chahar by force. In Hopei and Shansi, bonds were issued, the financial system was readjusted and heavier taxes were imposed upon the rich in order to absorb legal tender notes and to encourage the circulation of the Frontier Bank notes to the detriment of the financial and currency systems of the country.

VIII. Conclusion.

In view of the above-mentioned facts, the report said, we can easily realize that the Chinese Communists, under the guise of common struggle to cope with the present national crisis, are actually endeavoring to strengthen their own position, expand their army and develop their organization to the detriment of the country. The facts cited above bear eloquent testimony to what the Communists have done. Words can never hide the truth.

During the past ten years, the Communist troops have created havoc everywhere, seriously undermining the national strength and greatly encouraging the enemy to invade our country. Why should the Communists, who style themselves the progressive party for the salvation of the country and the world, still fail to repent their wrong?

Inasmuch as the Communists have issued a manifesto declaring that they have decided to join the common struggle in the present crisis, the 18th Group Army should have cooperated with the Government in fulfilling the momentous task of resistance and national reconstruction. Should they have any suggestions to make, they should submit them to the Central Government. How can they proclaim themselves different from others and create "frictions" to harm the resistance campaign?

Fully realizing the supreme importance of the integrity and independence of the country, all of our fellow-countrymen have unanimously pledged their support to Gen. Chiang Kai-shek for his guidance of the nation in the prosecution of the war and the task of national reconstruction on the basis of the Three People's Principles. They will never compromise with or yield to the enemy. They will never fall into the trap of propaganda by rebels and traitors. We earnestly hope that the Communist Party and the 18th Group Army will repent and rectify the wrong they have done in order not to let the enemy rejoice over our internal dissension, the report concluded.

New Council Bans Charity Lottery On Legal-Moral Grounds

The recently-elected Municipal Council of the International Settlement, in an official announcement issued on May 3, prohibited the operation of a charity lottery under official auspices, in the International Settlement.

The announcement did not give details regarding the names of the promoters or the scope of the proposed lottery, but it was reported that the plan was modeled on the Irish sweepstakes and the Philippine charity sweepstakes. C. S. Franklin, former chairman of the Council, announced at the recent annual meeting of ratepayers that such a scheme was under consideration. The present Council, however, of which W. J. Keswick is chairman, ruled against the proposal "following a thorough examination which included a survey of the scheme from the standpoint of its ethical, legal and financial aspects."

The decision was in line with the refusal of the ratepayers to give serious consideration at the annual meeting to a proposal introduced by a Russian lawyer, to license slot-machines in the Settlement.

The Council's report on the proposal to create a municipal charity lottery stated that the predominating reason for opposing the plan "was that of principle . . . as the long-established policy of the Council had been to prohibit most forms of public gambling." The report also admitted that there was some question regarding the legality of the proposal and stated that there was a possibility that members of the Council, particularly the American, British and Chinese representatives, "might be held personally liable for an offense under their individual national laws." The Council had been advised:

1—That under British law lotteries are illegal and that any British employee of the Council assisting in the conduct, and any British Councillor as a principal or promoter, would be liable to prosecution.

2—That under the laws of the United States of America which can be applied to American citizens in China, it is a criminal offense to operate a gambling establishment or a lottery.

3—The law of China, under Article 269 of the Criminal Code, makes the issuance of lottery tickets generally illegal, unless prior permission for such lottery has been obtained from the Chinese Government.

It was stated that the Council had already received notice from a ratepayer that he planned to institute appropriate legal steps to prevent the operation of such a lottery, should the Council decide to approve the proposal.

The Council's statement said that its attention had been called to the fact that assent had been given on occasion to the sale of lottery tickets in the Settlement, but one case concerned the sale of tickets in a lottery operated by the Chinese Government and the other case was a lottery for the relief of refugees, which had been sanctioned on the ground of "urgent public need."

Finally, it was admitted that considerable doubt existed "as to the financial benefits which might actually accrue from an official lottery." In this connection the interesting statement was made that investigation had disclosed that the financial benefits resulting from such enterprises "were not necessarily conclusive as regards a locally-operated lottery." It was therefore thought that other means which were available for the financing of the Council's social services were more desirable. In this connection the present so-called "voluntary entertainment levy" was cited as being preferable to a lottery. The voluntary entertainment levy was put into effect shortly after the beginning of the war when Japanese military activities caused tens of thousands of terrorized Chinese to flee into the Settlement for protection. Theaters and cabarets voluntarily agreed to add a 10% surcharge for the benefit of the refugee relief funds. In view of the success of the voluntary entertainment levy, it was thought that the public "could be relied upon to provide means other than a lottery for all the genuine needs of the Settlement for charity work . . . hence there was no cause for a municipal lottery on the ground of the Council's inability to finance increased social activities."

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The *North-China Daily News*, senior British newspaper in Shanghai, regarded the Council's decision on the lottery question as "completely unsatisfactory," and charged that the statement of the Council's position indicated the subject "had been dismissed in the usual off-hand manner." The paper charged that the statement of the Council's policy in prohibiting "most forms of public gambling" could only be accepted with a "very cynical smile." Referring to the "highly successful Australian state lotteries," the British paper suggested that the money now changing hands in clandestine-public gambling, should be controlled by the Council and directed into channels where "it would do more good than in the banking accounts of this far flung racket." Referring to the Council's statement of the legal phases, the paper inquired "whether the Council has enquired into the possibility of remedying that state of affairs," meaning apparently that the Council should take steps to legalize a business which is illegal in the United States, Great Britain and China.

The surprising attitude of the *N.C.D.N.* apparently is based on the proposition that since Shanghai is completely surrounded by Japanese-fostered and protected administrations which permit gambling, the authorities of the Settlement should submit and engage in the business itself. A charity lottery for the support of education and hospitals would, of course, be the entering wedge soon to be followed by slot-machines and ultimately roulette and other big-time games of chance. The public sale of opium and other narcotics would follow, naturally.

The previous Municipal Council almost succumbed when it permitted the operation of the notorious "Asia Club" on Gordon Road for many months. That resort was closed shortly before the municipal election and has remained closed since. There is hope that the present Council, which received the largest vote in the city's history, will stand by its guns and keep the gambling evil at arms' length. Although it cannot prevent gambling and vice in the surrounding Japanese-controlled areas, it can preserve the Settlement as a moral oasis in the midst of these cesspools of vice until an enlightened Chinese administration returns to power.

Will Stalin Sell Out China?

BY EDGAR SNOW

Foreign Affairs, N.Y.

THE formation of the Moscow-Berlin Axis, followed by the conquest of Poland and the attack on Finland, has changed the balance of land power in Asia and of sea power in the Pacific. China's struggle for independence is now more than ever tied up with the fate of Europe, while at the same time the field in which she can manoeuvre diplomatically has become even more restricted than hitherto. Though the Nazi-Soviet Pact has deprived Japan of a fickle friend in Hitler, it has at least immobilized two hated rivals, France and Britain. On the United States, too, the "diplomatic revolution" of August 1939 has imposed new hazards and heavy responsibilities.

But with the Chinese the question overshadowing all others is whether Stalin will sell them out. They are in deadly fear that Japan and Russia may yet get together to concoct a pact against them. From the consequences of such a pact the United States could not remain immune; a real Russo-Japanese alliance might well have the United States as its chief victim.

How far will Stalin go? Is there a limit to the new Commu-Nippon courtship, and if so, where? I have asked—and been asked—for the answers, from Sian to Hongkong. Some hasty observers were gleeful when Japanese generals, the cuckolds of Nazi betrayal, ignominiously liquidated their anti-Comintern cabinet and in temporary confusion restored to the civilian parties a faint voice in Japanese politics. But the generals, or rather Admiral Yonai, may have the the last laugh.

The European war has definitely eliminated the remote chance of independent action by Britain and France, two of the three land and sea Powers capable of challenging Japan in Eastern Asia. Today the United States remains the only maritime Power that acting alone can menace Japan; and only Russia can offer a major threat on land. Perhaps only the United States and the Soviets, together with China, could now bring about a speedy humiliation of Japan. Considering such an arrangement highly improbable, the Tokyo diplomats have decided that business isn't so bad after all.

In an article I wrote last summer I explained why Britain was impotent to take naval action against Japan in Eastern waters. Subsequently Mr. Chamberlain admitted in Parliament, rather naively, that such indeed is the case. Since then Britain's position in the Orient, along with that of France and the Netherlands, has worsened. Despite the comical collapse of the anti-Comintern basis of German-Japanese cooperation, nothing can prevent Japan from exploiting the physical fact of German attacks on the Allies. Conceivably, Britain and France might even now take reprisals against Japan if the United States led the move. Otherwise, wide appeasement of Tokyo becomes imperative for the Allies.

By her recent invasion of Kwangsi, Japan closed the last seaport on the southern coast, and acquired for the first time land bases within easy operating range of France's richest colony. From Kwangsi the Japanese control China's main highway and dominate her only railway connection with Indo-China. The French recently put still further restrictions on the use of this railway, but the Japanese demand its absolute closure to many vital supplies. In February they began a heavy bombardment of the line to emphasize their threats. The French Ambassador in Tokyo would like to reach a permanent accord with Japan by persuading Chiang Kai-shek to end the war with a compromise.

Should the British make a similar capitulation by limiting traffic over the Burma road to Yunnan, China would be almost cut off from all aid, other than financial, of the nations beyond the seas. Already the southern routes have lost much of their value. Shipments of European war materials have been reduced since last July by over 60 per cent. There are Chinese who consider it possible that by next spring they may be left with only one way open from Chungking to Europe: the 2500-mile road across the mountains and grasslands and deserts of the Northwest through Chinese Turkistan into Russian Central Asia.

Those facts, as well as Russia's new security deriving from the pact with Germany, greatly strengthen the Soviet strategic position in Eastern Asia. Here, as in Europe, Stalin holds the balance of power. Today the Kremlin can, without much difficulty, give increased help to China, reject any real collaboration with Japan, and encourage Chungking to continue resistance. Or

it can seek an alliance with Japan, attempt to arrange a Sino-Japanese compromise, and unite the two warring Orientals in a joint campaign against far greater game, the Western Powers. Or it can sign a simple non-aggression pact with Japan, in which each recognizes the other's sphere of territorial or strategic interest but is left free to make its own policies toward China and the Pacific nations. Or it can merely draw close enough to Japan to make any one of those moves seem possible, using "war-of-nerves" tactics to keep the Orient in a continuous state of suspense.

After the Russo-German Pact was signed Chinese Communists conceded that Soviet-Japanese rapprochement was not impossible. The Nomonhan Truce, which ended the heavy Russo-Japanese border fighting in Mongolia, confirmed their opinion. By lucky coincidence I happened to be in Yenan during the European events climaxed by the invasion of Poland. This bomb-shattered citadel, far up behind the guerrilla front near the Great Wall, is today still the capital, after 33 months of war, of a regional Communist government in China. To Yenan hundreds of thousands of armed Communists in China, Manchuria and Mongolia look for guidance from their leader, Mao Tse-tung.

I spent many hours talking to Mao. There is no question that he completely approved of current Soviet policy in Europe. "Hitler," he chuckled," is now in Stalin's pocket." He did not say so, but it must have occurred to him that there might be another Stalinite pocket for Japan—perhaps a vest pocket. For he agreed that a Russo-Japanese reconciliation had become a possibility "within the logic of Leninism." This apparent complacency is explained farther on.

So it was no surprise to the Chinese Reds when, in October, Molotov made his conciliatory remarks concerning Japan, and Stalin sent a new Soviet Ambassador, Smetanin, to restore a friendly atmosphere in

Tokyo. He and Mme. Smetanin drank tea with the Mikado and the Empress. Shortly afterward an agreement was signed arranging for the opening of formal talks. These settled disputed questions of fishery rights and payment for the Chinese Eastern Railway. Meanwhile, in Hong Kong a high and worried British official exclaimed: "America's uncompromising attitude is throwing Japan into the arms of Stalin. British interests are at stake. America must either act out here, or hush up and let us reach our own agreement with Tokyo."

The question now is: What next?

Before we give an answer, we must try to comprehend the bases of Soviet political strategy. To do that we must get along without devils or saints, without the muddle-headed sentimentality of either Left or Right. We are required to pass a judgment, not voice a prejudice. And we should endeavor to make it as nearly scientific as possible. Otherwise we will find it difficult to understand the Comintern mind and why it continues to be a powerful factor in the Orient. The penalty of making a decision on erroneous preconceptions might be war. I do not propose here to offer any easy lessons in Stalinism. I only wish to set forth a few principles relevant to an estimate of Soviet strategy in the East. I have been studying this subject on the spot for a decade, not simply as historical data, but as it affects living men.

Soviet strategy is based, in the reasoning of those Communists whom I understand, on somewhat the following credo. First, a joint "imperialist war" against the Soviet Union is almost inevitable. During and after the Allied intervention against the Reds, Lenin's tactics were strongly influenced by that belief. He was then dealing with reality; we should not forget that even the United States joined (with Japan!) in the invasion of Siberia. Only after the end of foreign intervention and the painful abandonment of the early theory in which Marx, Engels, and Lenin himself has assumed that proletarian dictatorship would occur more or less simultaneously in all countries or in none, did the Bolsheviks begin to see that they might win a period of peace permitting them to "construct Socialism in one country." Nevertheless, the fear of a second invasion was politically useful and was carefully nurtured to help consolidate Communist power. Russia remained, therefore, the "threatened base of the world revolution.". Everything else was made relative to the pivotal fact of "capitalist encirclement." The Comintern repeated *ad nauseam* what Lenin said in an early period: "All the events of world politics are inevitably concentrating around one central point, namely, the struggle of the bourgeoisie against the Soviet Russian Republic."

Under Stalin this belief came to have in practice a more particular meaning. All interests of revolutionary parties in other countries had to be subordinated, or sacrificed if necessary, to the needs of Moscow's foreign policy. Such interests were "partial" or "local" in character. The universal interests of the working-class parties were identical with the task of preserving the "base" in the U.S.S.R. Any step which strengthened the strategic security of the Soviet state, therefore, was in the long-view interests of all Comintern parties, even though it might mean their virtual extinction—as it did in the case of the Communist organizations in France and England after the Soviet-German Non-Aggression Pact. Moscow was quite sincere, after 1927, in advocating international peace. While peace lasted, the contradiction between the capitalist and socialist worlds could be expressed by internal class conflicts. Intensification of class antagonisms with the various national states, as well as between them, meant prolongation of the "breathing spell" in which to make the Soviet Union impregnable.

The Communists believe that bourgeois states may assume a variety of forms—military dictatorship, parliamentary democracy, Fascism, Nazism, etc.—but that there are no fundamental differences between them. Nevertheless, the Comintern makes distinctions between actively hostile and temporarily friendly states, so that Moscow may combine with one or the other in order to "utilize the contradictions between them" and to "divert the imperialist war" to other countries. Stalin has no objection to a quarrel confined to capitalist states; for, as he remarked last March, "the second imperialist war may lead to the victory of the revolution in one or several countries." Hence it is the Comintern's duty to "convert imperialist war into civil war" and to "defend the Soviet Union by both constitutional and unconstitutional means," including "working for the defeat of one's own (imperialist) country."

Lastly, the promise of "ultimate victory of the world revolution" is predicated upon the belief that the capitalist Powers will proceed to dissipate their resources and man power in inter-imperialist war, undermine their own security, cancel out the greatest achievements of capitalist civilization, bring about the complete moral and material bankruptcy of "bourgeois society," and lay themselves open to internal disintegration, revolution and final destruction if they clash with Russia.

Against that framework of logic, which is simply a special terminology of power politics to anyone but a devout Stalinist, every manoeuvre of Soviet policy is consistent. The Hitler-Stalin Pact is just as logical a part of the general strategy as was the "democratic front against imperialist war and Fascism." If left-wing liberals, idealists, and even some Communist intellectuals—in whom Stalin's interest is purely utilitarian—were shocked by the former it was because they never understood the strategic purpose of the latter. Nor does it seem likely that Trostky, had he kept power, would have followed a greatly different strategy; for that strategy is not simply the result of Stalin's will, but the synthesis of a vast complex of historical conditions plus the special limitations of Russia.

No, it is not the Red Dictator, but the disillusioned liberals who are inconsistent. For, logically speaking, a mere shift in the *tactics* of Soviet foreign policy should not shake a faith based on the internal physical facts of the Stalinist Utopia, which are exactly as before. All that has happened is that Stalin, taking advantage of a favorable world situation, is grabbing territories wherever possible without (he imagines) risking a "serious" war.

Now, it is an observable fact that a political folklore, if persistently fostered by a ruling bureaucracy, and believed and acted upon by masses of men, in time becomes in itself a dynamic social force which helps to set up its own dialectical reaction. Presently, for instance, the "joint imperialist attack" may cease to be the hypothesis that to a large extent it was even as late as last July. Before the invasion of Poland and Finland, the "little people" who fight the world's battles could not have been induced to become cannon fodder against non-aggressive Russia. Today, now that the "little people" everywhere have lost sympathy for the Soviet Union, such a war becomes a living possibility. Finland provided the anti-Communist standard-bearers with a necessary moral slogan. It is at least thinkable that Britain and France will eventually find a *modus vivendi* with Germany and mobliize Europe against the Soviets.

The point is that the same danger now confronts Russia in the Orient. More than ever, therefore, the strategic principles mentioned above become a guide to Soviet action. Keeping those credos in mind, what would an alliance with Japan offer to Moscow? Viewed from a materialist viewpoint—and no Communist has ever claimed Stalin is an idealist—the possible advantages are about as follows:

A Russo-Japanese alliance would remove the danger of an anti-Soviet combination in the Pacific, now feared by Moscow. It would give Stalin a free hand in Europe. It might encourage the Japanese, as well as some elements among the Chinese, to launch an attack on Britain. It might embolden Japan to risk war with the United States—long devoutly wished in Moscow. In case Russia became directly involved in war with Britain, the fact that the border between Manchukuo and Siberia was peaceful would enable the Soviets to concentrate their military strength along the Indian frontier. Japan's naval predominance in the Western Pacific would also be of value to Stalin.

In exchange for Russia's promise of help against Britain and France (or the United States), and for her friendly mediation in the Sino-Japanese war, Japan might agree to abandon her anti-Comintern slogans and tolerate the existance of Chinese Reds as neighbors. Should the Japanese blunder into war with the United States and Britain, the long-run outcome would be of advantage to Russia. For such a war would leave the Bolsheviks in a dominant position *vis-a-vis* an exhausted Japan, a revolutionary China, and a United States and Britain lacking decisive land power in Asia.

Japan might also find that a Russo-Japanese alliance offered superficial attractions. With Russia as an ally she would have less fear of the effects of an American embargo. Presumably Japan would be given access to Siberian resources, including petroleum, steel, iron and coal. Russia could please both Japan and Germany by giving them trade facilities over the Siberian railways. If Japan could really fell free of all menace of invasion from Siberia, she would release her reserve forces for a quick cleanup and consolidation in areas mutually agreed upon. The elusive conclusion to the China Incident might be found, and the navy freed to pursue its "southward expansion" program.

But how could such Japanese gains be reconciled with the advantages expected by Russia? The political basis of Japan's aggression in China is weak enough now. After her anti-Comintern slogan had been scuttled would not her bid for Asiatic political hegemony collapse entirely? Sections of the army might not fall into line. The effects in Manchuria and Korea might also be explosive. As a well-informed Japanese newspaper editor explained it to me: "The trouble is that nobody could get to the Emperor with such a proposal. Not because the Emperor would not listen, but because it would almost be necessary to seize the Palace in a *coup* in order to overcome the army's opposition to its presentation."

A Russian alliance, moreover, would probably bring about Anglo-American naval coordination. This is the one thing Japan wants to avoid, since it would at last give her two most hated rivals an effective point of unity. At the very least Japan would lose her markets, her sources of raw materials, and her credit in Britain and in the United States. If it came to war, she could not rely on Russia to see her through to victory, except on Bolshevist terms. Japan, too, suspects that Hitler is in Stalin's pocket, and does not envy him his position.

And for Moscow, too, there are disagreeable possibilities to pose against hypothetical temptations. Stalin could no more trust the Japanese as a permanent ally than they could trust him. In practice he could no more reduce his border defences in Siberia than he can today reduce them in the Ukraine, despite his pact with Hitler. Instead of forestalling an Anglo-American entente, a Russo-Japanese alliance might provoke a real Anglo-American anti-Red front, to which Japan might readily desert.

Finally, in fighting for herself, China is necessarily fighting also for the strategic security of the Soviet Union. It would seem unrealistic for Moscow to immobilize China's war machine in exchange for a dozen alliances with a nation that breaks treaties as easily as most people break a soft-boiled egg. Obliged to deploy an army of nearly a million men below the Great Wall and forced constantly to replenish it, Japan cannot seriously think of invading Siberia. Even British officers along the China coast have now stopped drinking toasts to the "second Russo-Japanese war."

The fact is that a "Fighting China" is an indispensable decoy, just now, in Soviet strategy. It diverts war from Russia, keeps Japanese ambitions in China irreconcilable with American policy, deepens estrangements, increases the range of "inter-imperialist collision," and brings internal revolt nearer in Japan. As long as Anglo-Japanese-American dilemmas are unresolved because of the war in China, the "capitalist encirclement" in the East, as in the West, is incomplete. Continued Chinese resistance in the hinterland also means greater Soviet economic and political entrenchment in western China. Russia loses nothing by Japanese activities on the eastern coast, where she has nothing at stake. She can mirthfully watch Japan's "strip tease" acts at the expense of John Bull. And all the time millions of Chinese, growingly dependent on Soviet friendship, are being conditioned as useful allies for the future. To sell out China would be to sacrifice Russia's best guarantee of maximum security with minimum risks.

Another factor must interest us. China is the only non-Soviet country where Stalin may, in a sense, be said to have a reliable armed ally. I refer to the Chinese Red Army, which now operates under various divisional insignia in common cause with the Nationalist Government. But it remains, nevertheless, an army under the absolute disciplinary command of the Chinese Communist Party, which loyally adheres to the Comintern and may be counted upon usually to support it. It differs from Communist parties in Europe and America; for they represent no fire-power factor whatever, and therefore do not enter into Stalins' military calculations.

Yet Stalin cannot be absolutely sure that the Chinese Communists would always and everywhere follow any Comintern directive. Mao Tse-tung emphasized to me that a Russo-Japanese rapprochment was a "Leninist possibliity" *on condition* that it "does not interfere with Soviet support for China." This is not so contradictory as it sounds, as I shall show farther on. The significant thing is that it exhibits a certain amount of independence of judgment not always characteristic of Communist parties elsewhere.

The reasons are obvious. Here is a party with many years of unique experience in armed struggle for power, during which, with but little encouragement from Stalin, it built up a considerable military organization, acquired wide practical political and military experience, wrote some minor epics of history, and developed a degree of morale, fortitude, courage and self-reliance unequalled in China. It has a tradition and resources all its own, independent or Russia. It has something else, which no group of mere Marxist theoreticians possesses: the daily sobering responsibility to a nation for the defense and administration of big areas which it actually controls. Mao Tse-tung and the other leaders won their following with little or no physical help from Moscow. Long contact with the unusual responsibilities of insurgent power has engendered in them a considerable degree of nationalist feeling. Stalin is very likely aware of this, and would not expect their approval for a policy inimical to the interests of China, or one which might destroy their prestige and strategic value.

In any case, there is as yet no indication that the Russians will withdraw their support—which has been far greater and more consistent than that of the United States, whose "help" remains largely rhetorical. Travelling over the new Northwest Highway to Sinkiang

(I have just returned from a long trip over part of it) one discovers, for the first time in history, signs in Russian. These guide the crews of hundreds of trucks (Soviet-made, but of American models) which are now bringing in supplies across the desert from Turkistan—mostly bombs, torpedoes and shells to service Russian planes and artillery. The construction of this highway was not a caprice, but involved careful planning, immense labor and long-view strategy. Dozens of repair shops, storage depots, rest houses, and munitions dumps had to be built over hundreds of miles of wasteland. An army of road workers, engineers, cooks, interpreters, mechanics and officials was mobilized to service the system. And there is an air of permanence about these establishments.

Near Chengtu, close to the Tibetan border, Russians are helping in the construction of a center for aërial activity in China. About 150 Soviet Russians were billeted near the place when I was there in October, and the Chinese told me they were preparing accommodations for 600. At Lanchow, in the Northwest, there were about 50 Russian trainers, pursuit ships and bombers, and 50 more were expected. Preparations suggested that Russia intended to maintain a force of perhaps 250 planes of all types in the western provinces.

In addition to her air force personnel, Russia has in China a number of military instructors, advisers and technicians. Exactly how many it is difficult to say: Moscow insists upon secrecy and probably with good reason. But there are more Russians than there ever were Germans—and the German mission at one time numbered over a hundred. Several dozen Russians are quartered in a commodious apartment house at Chungking, where they teach in various military schools and occasionally advise the Generalissimo. There are also Soviet advisors with nearly every army at the front, most of them young officers trained entirely in the Red Army.

Even Chang Ch'un, until recently anti-Red Vice-Premier at Chungking, told me that Russian military credits—the figure is said to be 750 million rubles—were "very generous and entirely adequate." China's main problem is not so much to find means for purchasing armament goods as for transporting them to her bases. In payment for the enormous credit, Moscow reportedly agreed to accept the Chinese dollar at its pre-war value, which helped save the Chinese currency. More significant, perhaps, is the fact that final arrangements for the credit were not completed until August, shortly before Moscow's pact with Berlin.

All this is not being done for Chiang Kai-shek, over whom Stalin (remembering 1927) probably wastes less love than does Tokyo. But Chiang is the pivot, just now, of a United Front between Nationalists and Communists, which is still the Communists' basic condition for resistance to Japan. Until recently Moscow required no other assurances from the Generalissimo. Not a single truckload of Russian military supplies, not a Soviet plane or gun, not even an adviser, was permitted to go to the Chinese Communist troops. All Soviet equipment was delivered direct to the central command.

After September, however, when Chiang's dependence on Moscow increased enormously, it became evident that he would have to concede a measure of political and military equality to the Chinese Reds. The latter began a campaign of vociferous criticism of the Government, undoubtedly with the support of Moscow. It was this new sense of internal power (which I felt reflected in Mao Tse-tung's conversation with me) that I think made Chinese Communists feel satisfied with Stalin's manoeuvres in Europe. Mao demanded an end to the one-party dictatorship of the Kuomintang, and the establishment of a representative democracy in which Communists could have a voice. He also demanded the elimination of all 'wavering" (pro-peace) and anti-Soviet elements from the Government, an end to sporadic armed attacks against Communist troops, and an end to other forms of sabotage and discrimination.

Chiang's efforts to conciliate his Communist supporters, both indigenous and otherwise, are evident in his suprising *volte face* on "democracy." In the last interview I had with him he declined to be quoted to the effect that even local democracy was advisable in China. Yet in November the Kuomintang met in plenary session and, at Chiang's behest, passed a resolution promising to convene a constitutional convention in 1940, to liquidate the "one-party dictatorship" over the central government, and to inaugurate the long-deferred representative democracy. Meanwhile Soviet Russians in China say frankly that the main barrier to increased aid from Moscow is the extremely slow rate of political progress since the war began.

Russia already has a strong political voice in the Turkistan régime, which is beginning to resemble that in Outer Mongolia and which may be considered a strategic bulwark of the Red empire. There is at present no necessity for arbitrarily seizing so friendly an area at the expense of antagonizing Chiang Kai-shek and stampeding Chungking into an anti-Soviet peace compromise with Japan, arranged by Britain and France. At enormous cost, Japan has created a "New Disorder in East Asia" that beggars all former concepts of chaos. Stalin, by patience and practical political sagacity, has the possibility of creating an order in West China of real strategic value.

So the prospect in China is not unattractive for Moscow. Until an alliance with Japan can offer a future of more specific promise than is now clearly immanent in continued Soviet coöperation with the Chinese, there will be no sudden changes in Stalinist strategy. But future change is by no means to be ruled out entirely. It may occur, though by no means "inevitably," under any one of at least four conditions: (1) an Anglo-Soviet war; (2) an anti-Communist split in Chungking, possibly backed by Britain with some American connivance, and with the object of capitulating to Japan; (3) the imminence of an Anglo-Japanese alliance, or even a basic reconciliation, which Moscow holds can only be anti-Soviet in nature; and (4) an Anglo-Japanese or a Japanese-American war.

Barring those conditions, there remains the possibility suggested in an earlier paragraph: a simple non-aggression pact, providing for closer trade relations with Japan, to keep Tokyo on Moscow's diplomatic hook, but excluding the question of either nation's policy toward the Chinese Government. Though such a possibility may on its face seem to be fantastic and incompatible with the Soviet position in western China, it nevertheless represents the most probable *limit* of Russo-Japanese rapprochement just now. But even this, unless the situation becomes urgent, will be pursued in a leisurely war-of-nerves manner in order to produce the most exquisite jitters in all the capitals concerned, and perhaps provoke them into some action of ill-considered haste.

The policy of the United States in the Western Pacific is no longer static but dynamic. Whatever the American public may think, we are no longer neutral in Japanese eyes. We are no longer passive objectors to Japanese aggression; we are taking active steps to check it. The consequence of a judgment is its execution. Such directed movement of a great nation's policy, once begun, must be maintained by anticipating all the obstacles in its path, and planning to manoeuvre among them. The weeks and months ahead require piloting of the most consummate skill.

Which is another way of saying that the United States is now deep in the power game in the East, and willy-nilly must adopt the methods of *Realpolitik* to play it. What will those methods be? Obviously, a first

necessity would seem to be to seek more positive understanding with other Powers affected by our move against Japan. Specifically, Washington may try to prevent the realization of those conditions under which Japan would get that indispensable help from Russia, without which she could not contemplate a fight with the United States.

First. The United States has already asserted the validity of its treaties with and concerning China. This action is based upon a secondary assumption that the unity and aims of the Chungking Government, and its friendship for the United States, are dependable constants and will endure against all pressure. But it would be naïve not to take all measures insuring that such a faith will not be betrayed. To risk war by penalizing Japan, without identifying that stand with direct help to China on concrete terms of lasting coöperation, would be to prepare for battle by leaving the decisive flank open.

Second. Present undercover work by certain British factions in the Far East, which are actively seeking to "make a bargain with Japan" on the basis of recognition of Japan's conquests and coöperation with her puppets, will probably be closely watched. London committed itself, through the Craigie-Arita Agreement last summer, not to embarrass in any way Japanese military operations in China. We must not forget that the Chamberlain-Craigie appeasement program, interrupted in Tokyo last July only by the dramatic abrogation of our commercial treaty with Japan, is in abeyance but not abandoned. If hard-pressed in Europe, and offered reconciliation at not too high a price, Chamberlain might think it best to heed the "bargain makers" advice.

Third. Washington will probably be compelled to adopt positive measures in order to nullify the effects of a possible Russo-Japanese rapprochement on our position in the Western Pacific. Unlike Britain, which has India to defend, America has no physical point of conflict with Russia. At the moment both are backing the same government in China. Nor does either one covet any Chinese or Russian territory. All this might usefully be reaffirmed in a special agreement.

The strategic problem involved is how to narrow the hazards of a positive policy. Nominally, that should have nothing to do with the widespread American dislike of Stalin, his credos, and his methods of work. A Russo-American pact of amity, restricted to the Pacific, would probably have a stabilizing effect in the Orient. Indubitably it would be of no more permanent value than any other pact with Russia—or with any other Power—but its usefulness in diplomatic manoeuvre might be astonishing. Mere conversations of such a nature might end Japan's bellicosity overnight, and send her envoys flying to Washington, ready to talk terms.

Such a move would probably offend many Americans in their present state of excitement. In practice the Administration may prefer popularity to sagacity. American sentimentality and indignation over the stupid and clumsy invasion of Finland, for example, may continue to express itself in an attitude facilitating a Russo-Japanese combination against us. But a policy based on this popular feeling might prove very costly. The world is moving with streamlined speed toward a cataclysm of which the current wars in Europe and Asia are but the preliminaries. The United States cannot will an end to it; the wisest living man cannot even foresee what that end will be. At present nobody is listening to Washington's political moralizing, for other nations do not understand its language or the folklore from which it springs. Combinations and recombinations may be made which will cause recent liaisons to pale into insignificance. To survive in this furiously dynamic world requires the maintenance of a high degree of diplomatic mobility, and no road should be closed until all its possibilities are fully explored and exhausted.

Chamberlain Cabinet Shaken by Setback in Norway; Italy Seen on Verge of Joining Germany

GERARD SAYS U.S. CANNOT LET HITLER WIN THE WAR

The United States "cannot afford to allow the Germans to win this war," Mr. James Gerard, American Ambassador to Germany during the first World War, told pressmen in Washington on May 7, after he had lunched with President Roosevelt, United Press reported. A German victory, Mr. Gerard stated, would produce an "inevitable attack on United States interests in South America."

EVENTS in Europe have been moving with extraordinary rapidity since we published our usual weekly summary in the last issue of *The Review*. Allied troops were being withdrawn from southern Norway as that issue appeared, thus furnishing at least a partial answer to our question: "Will Norway Prove to be a Second Gallipoli?" The withdrawal was completed, and the Allies are now concentrating their attention on supreme efforts to capture Narvik in the north, where vigorous fighting is reported. Germany's success in Norway has served to throw Sweden into the arms of Germany. At the same time, it has increased Italian bellicosity against the Allies and Italy's entry into the war on Germany's side now seems to be inevitable. This, in its turn, would render inevitable the involvement of the Balkan countries in the war.

The Allied withdrawal from southern Norway, as was only to be expected, engendered bitter criticism of the Chamberlain government in England. Critics inside and outside the country charge the government with muddling and incompetency and at this writing it seems not unlikely that Mr. Chamberlain will resign. Mr. Winston Churchill, First Lord of the Admiralty, is mentioned as his most probable successor.

In a lengthy speech in the House of Commons on May 7, Mr. Chamberlain sought to justify the Allied expedition to southern Norway, and the subsequent withdrawal, and to explain away the failure on two principal grounds: 1. "Our inability to secure airdromes whence we could operate our fighters: 2. the rapid arrival of German reinforcements." The Government's critics, however, could not forget a statement which Mr. Chamberlain made in the House five days earlier, on May 2. The Government had been aware for many months, he said, that the Germans were concentrating troops and transports in the Baltic and that the troops were constantly being practised in embarkation and disembarkation for a sudden descent on Norway.

Yet in spite of knowledge of these doings, the Allies, he declared in the same breath, were "forestalled" in their plans to help Norway, if attacked—by Germany's "long-planned and carefully elaborated treachery" against an unsuspecting and almost unarmed neutral! Mr. Chamberlain could scarcely have made a statement more damning in the eyes of neutrals. In effect he told the world that the Allies knew of Hitler's plans well in advance, but instead of moving to forestall them they allowed Hitler to do the forestalling. True, Mr. Chamberlain, in

his second speech, said the Allies could not have violated Norway's neutrality in order to forestall Hitler, because the Allies respected the rights of neutrals. But if this observance of scruple is persisted in regardless of the surrounding circumstances, the Allies will be left with only their scruples while Hitler will have won the war.

The latter is no idle quip. High German quarters in Berlin, *United Press* reported on May 6, hold the belief that Britain will be "beaten to her knees" within eight months. This prophesy may well be realized if the Allies permit the Nazis to seize many more advantages such as those they gained in Norway. It now remains to be seen how the campaign around Narvik will end.

From the point of view of Swedish iron shipments to Germany, Narvik is beginning to lose the importance it had when the Nazi invasion of Norway was undertaken. The ice on the Gulf of Bothnia is melting and these shipments can now be made from the Swedish port of Lulea, traversing waters where they will be subject to no Allied threat—unless the Allied air forces decide to violate Swedish neutrality. Having regard to these facts, the concentration of Allied effort in the Narvik zone

Troubles of a Ladies' Man

Thomas in Detroit News

must be principally designed to cut off northern Norway from the Germans, who could thus be harried in the south and largely prevented from using the rest of Norway as a base for air attacks on England and renewed submarine attacks on Allied shipping in the North Sea.

According to all reports, the bulk of Norway's army is still intact in the north and will cooperate with the Allied forces. In the south, large numbers of Norwegian soldiers, deserted by the Allies, have surrendered to the Germans, and resistance to the Nazi invasion in that part of the country has all but collapsed. Much more grave from the Allied point of view has been the effect of the Allied withdrawal on Sweden. Stockholm and Berlin, it was reported this week, have exchanged notes in which Sweden reaffirms her neutrality while Germany pledges respect therefor. There is evidently more behind this exchange than official reports have disclosed. It may be taken for granted that Sweden has fallen into the German orbit.

Following the Allied withdrawal from southern Norway, the Allies proceeded to concentrate a powerful fleetin the eastern Mediterranean to meet the sudden contingency of Italy's entry into the war on the side of Germany. At the same time, the Allied army in the Near East has been made ready for action. It was reported on May 7 that Britain had made a demarche to Rome, asking that Italy define her exact position regarding the European war by not later than May 16, but London officially denied that such a demarche had been made.

VOROSHILOV REMOVED FROM POST OF WAR COMMISSAR

Marshal Klementi Voroshilov, Commissar for War and Supreme Commander of the Soviet armed forces, has been removed from these offices at the instance of the Presidium of the Supreme Soviet and replaced by Marshal Semyon Timoshenko, hitherto commander of the Kiev Military District, the French Havas agency reported from Moscow on May 8. Marshal Voroshilov has been given the post of Assistant Chairman of the Council of People's Commissars.

That Italy's entry into the war is now only a matter of time—unless some miracle averts it—was seen in reports that Pope Pius and President Roosevelt were collaborating in efforts to prevent such a development.

If Italy does enter the war, it seems certain that it will be by way of an attack on one or more of the Balkan countries. Yugoslavia and Hungary are mentioned as the probable first victims. It is believed that Germany will strike at Yugoslavia from the north while Italy will endeavor to take the coast of Dalmatia, long prominent in the list of Mussolini's territorial ambitions. As regards Hungary, German troops are now concentrated along the German-Hungarian frontier, and the frontier between Germany and Slovakia (Germany's puppet), ready for attack. The view is held in London that if Hitler does move against Hungary it will not be for military gains as such, but as a maneuver to force Italy "off the fence" and into the German war camp.

The Allied setback in Norway has meanwhile had a profound effect in the United States. Odds on the Allies for victory have been reversed in favor of Germany, but the possibility of a German victory is viewed with unmistakable alarm. A movement is now on foot and gaining ground rapidly for the extension of credits to the Allies if and when they may be needed. Isolationist sentiment is becoming swamped by genuine fear of a victory for totalitarianism in Europe. At the same time, the strategic lessons of the Allied adventure in Norway are being absorbed by naval and military experts. The fact that the German air force has shown terrific striking power in combat with Allied naval units is the most outstanding fact now being subjected to study. In particular, a great impression has been made by German claims to have sunk a British battleship by a well-aimed heavy aerial bomb. The British have denied this, but German claims in the war thus far have been so frequently authenticated, even if belatedly, that this one cannot be ignored.

The German High Command issued a communique on May 3 in which astounding damage to the British Fleet was claimed. Since Apr. 9, the communique stated, 135 ships of the British Navy had been sunk, damaged or set on fire by German aerial bombs, torpedoes or mines. These included nine cruisers, nine destroyers, 22 submarines, 23 transports and one minelayer. Hit and severely damaged were seven battleships, 14 cruisers, nine destroyers, three aircraft carriers, 38 transports and other auxiliary vessels. Latest Allied fleet losses (admitted in London and Paris) were the sinking of the British destroyer Afridi, the French destroyer Bison and the Polish destroyer Grom by German aircraft.

In view of these performances by the Nazis—both the verified and unverified—it is not surprising that the "Big Navy" people in Washington are beginning to wonder whether a shift of emphasis is not needed from heavy warships to naval aircraft in the hugh fleet construction program of the United States.

Vladivostok Looms in Allied Blockade Plans

THE importance of Vladivostok, Soviet port on the Pacific, in the blockade calculations of the Allied Powers, received emphasis in a *Reuter* dispatch from San Francisco on Apr. 30, reporting the arrival of the British cruiser H.M.S. Caradoc in Los Angeles. It was stated that the warship, after remaining in that port for 24 hours, was expected to engage in the blockade of copper shipments across the Pacific.

A Soviet ship, the Vladimir Mayakovsky (see accompanying chart) was seized by the British not long ago while steaming across the Pacific with a cargo of American copper destined for Vladivostok—and, it was believed, ultimately Germany. It was reported from London a month ago that the Allies are convinced Germany is systematically using Vladivostok to secure war materials from foreign countries. Goods were being carried to Vladivostok in Soviet, American, Italian, Norwegian and other vessels, it was stated, and then transported to Germany via the Trans-Siberian Railway. Huge increases in Soviet purchases of strategic war materials in the United States and Netherlands East Indies were considered ample evidence of the Pacific breach in the Allied blockade of Germany.

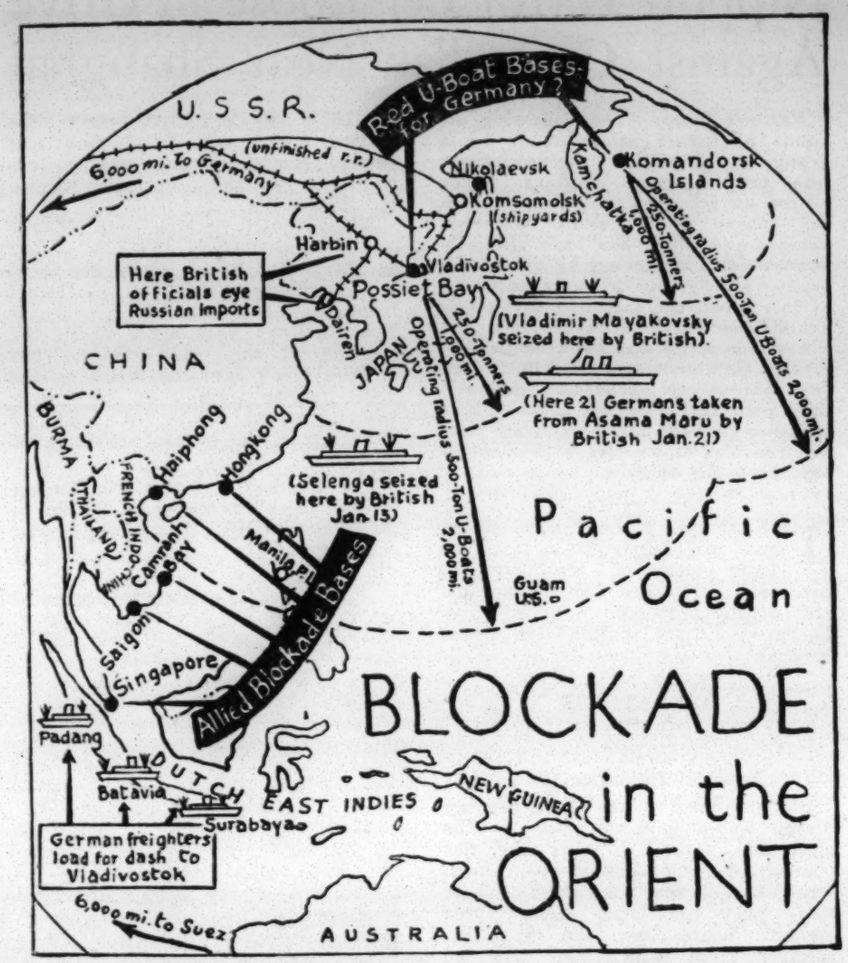
Rush of Goods

The well-known Tokyo newspaper *Hochi Shimbun* asserted on Apr. 21 that oil and copper from the United States and tin and rubber from the Netherlands East Indies "have been rushing into Vladivostok at a remarkable rate of late." Quoting a report brought to Japan by the crew of the s.s. Harbin Maru, the paper said the Soviet Government is licensing the passage of copper bound for Germany via Vladivostok at the rate of 1,500 metric tons a day, whereas annual Soviet imports of copper previously amounted to only 5,000 or 6,000 metric tons. Imports to Vladivostok from the outbreak of the war in Europe to the end of March this year totalled 70,000,000 metric tons, the paper said, adding that about 30 Germans are now residing in Vladivostok, handling goods bound for their homeland.

Vladivostok has also been mentioned lately in connection with an alleged plan whereby Germany would use the Soviet port as a submarine base from which to attack Allied shipping in the Pacific and protect German cargoes. Rear-Admiral Masao Kanazawa, spokesman for the Japanese Navy Ministry, referred to the matter in Tokyo on May 2. The spokesman said he doubted if the political bonds uniting Germany and Soviet Russia were sufficiently close for Moscow to place submarine bases in the Far East at the disposal of the Reich.

A British press correspondent cited to the spokesman an American newspaper report which stated that Commandorsky Island (in the northern Pacific) had been fortified to serve as a submarine base and had been subsequently inspected by German naval officers, while another Soviet submarine base had been established in Possiet Bay (which encloses Vladivostok). The spokesman admitted that both points were strategically valuable, but remarked that their future role would depend entirely upon developments in Soviet-German relations.

Soviet Pacific Port in the News



Review Map by P. C. Chen

Japan Concerned Over Soviet Ship Seizures

The Japanese authorities are paying "serious attention" to the seizure of Japanese fishing vessels off Ussuri Bay by the Soviets, following recent cases of flights across the Sakhalin border by Red Army aircraft, Rear-Admiral Masao Kanazawa, spokesman for the Japanese Navy Ministry, stated in Tokyo May 2. The seizures, he pointed out, had taken place on the high seas about 20 miles from the Soviet coast.

A suggestion by a foreign correspondent that the seizures might be the prelude to a Soviet "summer offensive" against Japan was dismissed by the spokesman, who declared that Soviet-Japanese negotiations for a settlement of outstanding problems were making progress, although "subject to fluctuations from time to time."

Rear-Admiral Kanazawa said he had no official information confirming a press report that the Soviet Navy would hold maneuvers in the middle of May in the Sea of Japan, the Ohkotsk Sea and the Pacific Ocean. He, remarked, however, that he understood the Russian Navy customarily held its annual maneuvers at this time of the year.

"If the Soviet naval games are being held for the defense of Russian territory," the spokesman said, "no question can arise from that. Judging from Soviet naval armaments in the Far East, the projected naval maneuvers will be entirely different in nature from the big American naval maneuvers being held in the Pacific and will be held entirely for a defensive purpose."

Bruce Lockhart Gets Response to Appeal

William Bruce Lockhart, once a well-known British journalist at Shanghai, who is now ill, published an appeal for financial assistance in the *North-China Daily News*, leading British newspaper at Shanghai on April 25. The notice stated that he required funds for hospital treatment and was in danger of a nervous breakdown unless such funds were forthcoming. He also asked someone to look after his personal effects "consisting of a large packing case and two smaller ones." Persons were asked to send financial contributions to Box 3839 in care N.C.D.N. On May 4, Mr. Lockhart published another notice in the paper thanking the public for contributions which had been received.

Nippon Terror Let Loose in Drive Against Guerrillas Near Shanghai

Editor's Note:—The following account of investigations made by a group of Shanghai newspapermen into the Japanese military terror visited on villagers near Shanghai, in the course of a recent campaign against guerrillas, has been specially written for The Review by one of the group. Early on Monday morning of this week, the sound of firing was again heard in the Hungjao area and a new campaign was believed in progress. Commenting on this, the Japanese Army spokesman declared that such activities are of so minor a nature that the Japanese Army does not consider it necessary to make a report on the subject.

THERE used to be a sign on the road to Tsingpu just as it curved from view of the Hungjao airdrome. It looked like a homeside real estate billboard. On a white background was painted in terse English:

ZONE OF MILITARY OPERATIONS
DO NOT GO BEYOND THIS POINT
Imperial Japanese Army

Shanghailanders out for a Sunday airing would gaze curiously at the sign and beyond it over the flat countryside cut and recut with canals, where the narrow road shot straight west past occasional village tree clumps. There lay the guerrilla country from which the frequent rattle of machine-gun fire, now faint and now alarmingly close, came to the uneasy slumberers in Shanghai's suburbs.

A Billboard Disappears

One day last winter the billboard disappeared and the Japanese Army boasted that guerrilla elements in the Shanghai area were liquidated. After three years, it seemed, peace had finally come to Shanghai.

But this was not to be, for early in April reports were received indicating the presence in the area between Shanghai and Hangchow, 200 miles to the west, of a New Fourth Army under General Koo Tso-tung, whose troops, reputed to number 4,000, would henceforth operate as guerrillas in this part of the country. Shortly afterwards news came of battles at Haiyen on Hangchow Bay, at Kashing between Hangchow and Shanghai, and at a point on the Yangtsze River some 50 miles below Wuhu.

Then one morning in the middle of the month a woman limped into Bubbling Well Police Station. She had a young son with her and she said both had been bayonetted by Japanese soldiers who were shooting and burning villages to the west in their search for guerrillas.

Newsmen Make a Trip

It seemed too fantastic a thing that the Japanese Army should be flouted at the very gates of Shanghai, the first area to fall before its onslaught in 1937! In order to prove the matter to their own satisfaction local newspapermen began making expeditions into the countryside to see for themselves.

They found nothing out of the ordinary south from the city as far as Hangchow Bay. Along the road to Sungkiang which lies southwest towards Hangchow, the peasants were taciturn and vague about the location of the razed villages but declared they lay somewhere to the north in the vicinity of Sikiang, a town situated 10 miles west of Shanghai in the general direction of Tsingpu.

One Sunday a party of newsmen visited the observatory of Zo Se in the Shanghai Hills five miles west of Sikiang and there they were told of a big battle fought some days before in the countryside to the north. Many villages had been burned during the fighting, it was said. On the Sunday following this, April 28, another group of three newsmen set forth to explore the quaint walled town of Tsingpu itself. By this time little hope was entertained of finding the burned villages.

Luck would have it that half way to Tsingpu a recalcitrant but polite Japanese sentry barred the way and no amount of talking could persuade him that the "bad people" who lived toward Tsingpu would not murder the foreigners. So the disgruntled trio, two Britons and an American, struck back to town. But when the sentry post had dropped from view, they decided on a jaunt over by-paths south of the highway. In less than an hour they arrived by devious meanderings at the first of 12 villages through which the Japanese had passed with fire and sword four days previously.

Japanese Incendiarism Near Shanghai

These are photographs taken by foreign newsmen in the Tsingpu area, near Shanghai, recently. They show the blackened shells of two among many Chinese villages burned to the ground by Japanese troops engaged in a hunt for guerrillas, as told in the accompanying article. One of the newsmen is shown in the upper picture surveying the results of Japanese incendiarism.

There it lay, one blackened chimney against the sky across lovely fields of purple clover checkerboarded with patches of yellow rape. The shock was more profound because the ravaged site lay only half a mile from an area of villages which were the very essence of peace. Even in the immediate vicinity of the black shell peasants worked the fields with a tranquility surpassing belief. Four days previously it had been razed, but already the steadfast, industrious Chinese peasants were beginning to rebuild, sweeping through the ruins, salvaging bits here and there, collecting the half-burned remains of charred rice stores.

At first these silent bluegowned countryfolk stared suspiciously at the newcomers. Then the word went swiftly round: "They are investigators." One youth of 16, less timid than his fellows, approached and volunteered to tell about the events of the past week.

Only Bayonets Used

The Japanese had used only bayonets in killing, he said. Their forces had circled the district which lay half way to Tsingpu from north, south and west and had then closed the pincers in their search for guerrillas alleged to have been harbored by the villagers. Women, children and old men were most prominent victims of the operation.

The peasants began collecting from the fields. Most of them were women and youths 16 or 17 years of age. There were no men. They asked eagerly for medicine to heal the wounded. They could not get to Shanghai without passes, they said.

In the rest of that long afternoon 11 more burned villages were found by the newsmen, although the peasants declared there were dozens in every direction. They said that 500 of their fellows had fallen before the bayonets of the Japanese and at least 300 homes had been burned down. The grimmest evidence found by the newsmen were seven new coffins hidden in a dip of ground near a canal.

Villages Set on Fire

The 12 villages were set afire during the daytime, said one villager, as the Japanese feared to venture forth into what they suspected was guerrilla country after nightfall. When the thatch huts were ablaze and the inmates streaming out in terror, the soldiers turned their bayonets to good account. In this fashion four old men had been killed in the first village, the peasant said.

In village after village visited by the foreigners the scenes were similar. Bristling mongrels, savage with hunger, guarded the ruins of their dead masters. They did not like the intruders. Large quantities of stored rice had been destroyed in the flames. Batches lay knee deep, a year's labor wasted, over the hard earth floors of the little huts. Each village had at least one or two mud brick chimneys rising from the black earth. They made good markers and many of the ruins would have been missed by the newsmen without them.

Then there were the seven coffins set neatly in a little square. Lying beneath a bright thatch of straw from rice they may have harvested last fall were a family, three grown-ups, a youth and a girl not quite so tall as their parents, and two children in boxes the size of cradles. Their decaying bodies polluted the air so that peasants passing along a path half a hundred yards off held their noses.

Little Girl Bayonetted

In a house which had not been burned the newsmen were offered tea while a throng of women and children stared from the doorway and crowded into the room. One eight-year-old girl was holding her left arm as though it hurt.

"What is the matter with the little girl?" asked one of the newspapermen.

"She was wounded by the soldiers," declared the owner of the hut. Upon turning her round the newsmen found a clot of matter smearing through the dress at the shoulder. "How was it done?" one asked.

The peasant made a prodding motion with both hands. Not knowing the Chinese word for bayonet, the newsman whipped out a pocket knife. The wounded girl shrank back with a cry of terror when the bright blade flashed and the elder peasant nodded his head in affirmation.

He then asked if it would be possible to obtain medicine for the wound, which was getting worse each day. He was told it would be necessary for him to come to Shanghai for supplies. But he shook his head. It required a pass to reach Shanghai and this was impossible to obtain. There was no mission nearby where he could take the child.

The newsmen left to return to the Tsingpu highway about two miles north. Their guide, a bluegowned peasant youth, led the way through barley patches and along the edges of stagnant backwaters. Sometimes a burned village lay on a canal bank guarded by snarling dogs; sometimes one stood back from the route in a clump above which reached the jagged chimneys.

Gaunt Ruins, Silent Men

Each village approached in the line of travel was warned across the fields by a shout from the guide: "Hooaa! There are foreigners coming. They have no guns." And the gaunt ruins would disgorge one or two silent peasants who stared till the little party passed from view.

Once, beneath a partly burned irrigation turnstile on the bank of a canal, the guide paused, staring downwards. When the foreigners had maneuvered their bicycles under the thatch they too looked down to where a man lay sunning himself at the water's edge. His upper body was hidden beneath two bundles of straw. He seemed crouching for warmth under the hot sun and one bare foot thrust into the water lilies. The skin of his leg was turning blue. He was dead.

Further along the canal lay the remains of a cargo sampan charred to the water's edge and among the ashes of another irrigation turnstile above it, was the roasted carcass of the water buffalo which had once turned the creeking wheel. Miraculously the nose rope, which haltered the animal to a stone cornerpost, was untouched by the flames.

As the newsmen left this sunlit desolation behind, they noted a half mile to the west the incongruous spire of a church steeple rising above the flat fields from a village. A few hundred yards to the north lay the Tsingpu highway.

Burned—By Mistake

Following the revelation of these discoveries in the Shanghai press, the Japanese Army through its spokesman in Shanghai declared the reports were greatly exaggerated, that only one village had been burned (by mistake) and that no women or children had suffered in the campaign which was instituted to "completely eradicate the Communist elements" in the vicinity.

The operations which were said to have started April 14 were allegedly a punitive expedition against guerrillas for the death of several Japanese officers in the vicinity of Tsingpu.

The army spokesman admitted the destruction wrought by the Japanese soldiery, but sought to minimize it. He declared that "the actions were confined to guerrillas and other anti-Japanese elements. Those who were killed were those whose actions tended to disturb the peace." He might have included everybody in the area under this blanket statement.

"He added that "there is no truth in the report that women and children were included (in the killings). As a matter of fact the women and children have returned to the villages where they are living peacefully." At least one woman, a girl and two children were killed, as proved by the coffins. And one girl was wounded. Whether the Japanese soldiers raped the women is another question. It is true also that the women have returned to their fields. They could do nothing else.

Then the spokesman declared there was fire in one village only and it was started by accident. Probably the spokesman has not visited the area. He should do so.

Hundreds Were Killed

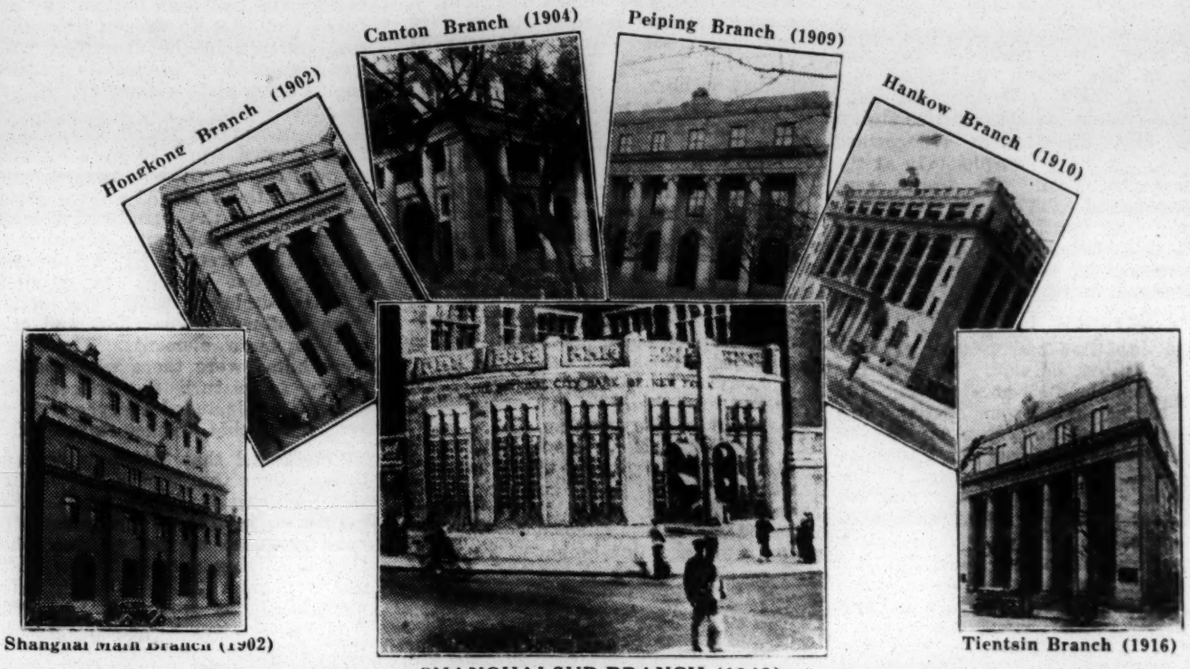
It is likely there were guerrilla units in the district. Conversation with Japanese sentries elicited the information that hundreds of Chinese had been killed and quantities of arms seized during the two weeks' operation.

At present the great need of the district is medicine. Scores of wounded persons must have died by now from infected wounds. Disease may spring up. It should be possible for mission workers to reach the district with essential medicines with the permission of the Japanese. At the time of this writing two weeks have passed since the massacre and nothing has been done.

Formation of New Party In Nippon Prohibited

The Home Office in Japan this week issued an order prohibiting the formation of a new political party under the name of "The Workers' National Party," which was planned by Mr. Isoh Abe, former leader of the Social Masses Party, from which he withdrew recently following his expulsion from the House of Representatives. The Home office, *Domei* reported, based its order in the grounds that the proposed new party would be likely to cause class strife.

OUR FORTIETH YEAR IN CHINA



SHANGHAI SUB-BRANCH (1940)

THE BANK IS PLEASED TO ANNOUNCE THE OPENING OF ANOTHER CHINA BRANCH ON MAY 6, 1940, AT 121 ROUTE CARDINAL MERCIER, SHANGHAI. THIS OFFICE WILL OPERATE AS A SUB-BRANCH TO THE MAIN BRANCH AT 41 KIUKIANG ROAD AND WILL BE KNOWN AS THE CARDINAL MERCIER BRANCH.

The National City Bank of New York was 88 years old when the International Banking Corporation, another American banking institution, founded for the express purpose of financing American trade with the Orient, established its first agency in China. That was in the year 1900. Branches of that bank were later established in the following principal cities and trading centres of China:

SHANGHAI, TIENTSIN, PEIPING, HANKOW, HONGKONG, CANTON.

In order to enter the Far Eastern field, The National City Bank of New York in 1914 acquired ownership of the International Banking Corporation.

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The National City Bank of New York And Its New Shanghai Branch

THE last annual report of the National City Bank of New York, issued on the occasion of the 128th annual meeting of shareholders at New York on Jan. 10, said that the branches of the institution in China had continued to operate "safely and profitably through another year of war conditions and disturbed trade."

The brief statement was significant and served to call attention to the service rendered by this well-known American financial institution in the present period of disturbance and uncertainty in this country. With the International Banking Corporation, established in China in 1900 and absorbed by the National City Bank in 1914, the N.C.B. has had 40 years of experience in China. That the National City Bank has contributed toward the stability of conditions in Shanghai and other cities where its branches are located goes without saying. Only one branch in this part of the world has been closed as a result of disturbed conditions—Mukden, two years ago.

67 Offices Open

The annual report stated that 67 foreign offices are in operation in 24 different countries, and of the closures of six foreign branches during the year none was due to a war situation, but to consolidations, chiefly in Central and South America. One branch in Italy was sold. The report said, "The possibility of conducting banking operations in limited form, even in belligerent countries, has been demonstrated by the experience of the Spanish branches....they have remained open and suffered no losses of any consequence as a result of three years' hostilities....A notable feature of our Spanish experience has been the way in which our Spanish customers, even under the stress of war conditions, have honored their obligations. It may be added that in our experience in dealing with people in many parts of the world, we have found the standards of integrity high."

An Essential Cog

While a considerable portion of the business in foreign branches arises from operations of large American industrial and trading concerns in the foreign field, it also is true that in innumerable cases the branches have become an essential cog in the business and finances of the communities and countries where they are located. The report stated that the bank today "is stronger and better equipped than ever before, stronger from the standpoint of its liquidity and asset position, the experience and efficiency of its organization and personnel, and stronger in its position in the community and its usefulness to customers."

The bank has seventy-two branches in Greater New York alone, with 696,000 separate accounts, of which 357,000 are users of personal credit now borrowing from the bank. The average loan outstanding is US$162, stated the report. The remaining 339,000 accounts represent thrift depositors. Deposits at the year's end (1939) stood at US$2,331,000,000, highest point in the Bank's history and US$496,000,000 larger than the preceding year. Total assets were US$2,509,395,588.23.

New Shanghai Branch

The opening of a new branch in Shanghai on Monday of this week was an indication of the Bank's growth in this community and the desire of its management to be of increased service to its customers. The new branch will provide deposit facilities through its savings and current accounts departments in local and foreign currencies, including purchase and sale of foreign currency drafts, travellers letters of credit, checks, etc. The main office of the bank on Kiukiang Road will continue to function primarily for commercial clients.

The new branch, known as the Cardinal Mercier Branch, is located at the corner of Rue Bourgeat and Rue Cardinal Mercier in quarters which have been constructed especially for its use. The new structure is an annex to Cathay Mansions, designed by Minutti and Company, well-known architects and civil engineers. The construction of the annex necessitated the remodelling of the west entrance to the building, the entire work having required some four months.

The banking premises are of gothic style, harmonize with the existing older building and give an impression of solidity and permanency. The main chamber is over two stories in height, with a long semi-circular counter for the convenience of customers.

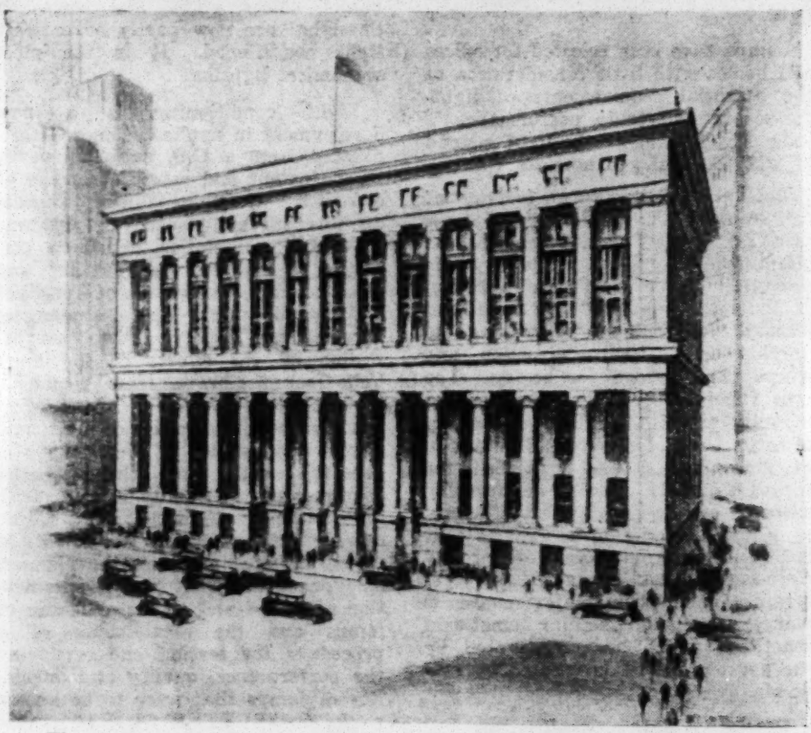
According to the architects, the construction of the annex constituted a peculiar and delicate building problem due to the special circumstances existing in the surrounding terrain. Cathay Mansions, built on soft earth, has been steadily sinking since it was built 10 years ago. As a result the entire structure, one of the largest "sky-scrapers" in the city, has receded into the earth about four feet and still is sinking at the rate of about one-half inch a year.

Because of this peculiar condition, the new annex, a story-and-a-half structure, was too large to be carried on the existing foundations, hence had to be built on independent footings, built alongside the existing —and still sinking—old foundations. The problem was therefore an unique one, solved by the architects in interesting manner. The new annex actually rests on a single reinforced concrete footing, strengthened by means of huge cantilever beams arranged quite independently from the old building and separated from it by joints running over the entire height of the new building. The roof was constructed of pre-cast reinforced concrete beams and slabs which were fashioned beforehand on the ground and then placed in position on the roof. This method of roof construction, unusual in Shanghai, permitted the whole covering to be erected and waterproofed in a few days.

The new premises are air-conditioned throughout.

The new branch in the French Concession will be the seventh in the country, others aside from the main office in Shanghai being located in Tientsin, Peiping, Hankow, Hongkong and Canton.

Head Office of a Great American Bank



This is an artist's conception of the Head Office of the National City Bank of New York, at 55 Wall Street, New York City.

The Importance of Light Conditioning

LIGHT reacts entirely on the nervous system. This is probably the reason why most people allow their emotions to control their choice of lighting equipment. Their emotions are given full sway, and their intelligence is used but little.

Thoughtful consideration of common knowledge of the functioning of the eyes-in-seeing and the meaning of the fundamental laws of light, and allowing intelligence to hold sway over the emotions, would shorten the period of eyesight-destroying electric lighting.

Lamps have been selected for offices and homes with little consideration of the essential requirements of light-for-seeing and their performance is judged by looking at the light instead of with the light to note its value.

The value of light as an instrument for seeing is in the quality of light to a far greater extent than in the quantity of light. Quality is measured by the degree of diffusion of the light rays and the area and location of the light source to provide light in the direction and where it is needed for seeing. The eyes function correctly when looking through or with light rays but not towards the light source. Elimination of glare and gloom is needed for seeing quickly and comfortably without eye-strain or nerve-fatigue. It is now the opinion of experts that most fatigue from office work or any close-seeing task is caused by eye-strain. The other major cause is worry, fear and similar emotional reactions, which are aggravated by the nervous condition created by eye-strain.

Efficient light conditioning is obtained by using the best obtainable lamp bulbs in lamps that furnish ample, glareless, correctly distributed light-for-seeing where it is needed.

Salaries and wages in offices amount to many times the cost of light conditioning and the increased speed and accuracy of seeing saves much more than the entire cost of lighting. The appearance of homes is improved more with light that shows decorations than by lamps that are chosen as ornaments. Comfort and good temper depend upon correct lighting that does not injure the nervous system through eye-strain.

The new Cardinal Mercier Branch of The National City Bank of New York is light-conditioned. Many banks, offices, clubs, and homes in Shanghai are now partly or entirely light conditioned. It is the most economical lighting.

Light conditioning is a new development in applied science. It originated from a U.S. national survey of the extent and rate of increase of defective eye-sight. The reports on this survey aroused the interest of scientific societies and men employed in research for further and more accurate knowledge of eye-sight and illumination. The Illuminating Engineering Society assisted in coordinating the efforts of the lamp bulb manufacturers, lamp manufacturers, the designers of lighting systems and the electric light and power companies to determine by research and tests the essential requirements in quality and quantity of artificial lighting for seeing quickly and without eye-strain or injury to eyes and nervous systems. The practical result was a specification of lamps and the establishing of lamps and the establishing of a procedure for testing and certifying the performance, quality and durability of lamps that were to be known as I.E.S. "BETTER SIGHT" lamps.

H. H. A.

Puppet Official Shot Dead Outside Ballroom

Hsia Tse-ting, an official of Mayor Fu Siao-en's puppet "Special Municipality" of Shanghai, was shot and killed on Monday night of this week as he was leaving the Metropole ballroom at 56 Gordon Road, in the International Settlement. Forty-six years old, the deceased man was with the tax department of the puppet municipality. He had just entered a Silver Taxi when two men leaped forward and dragged him from the vehicle. Both men were armed with pistols, but only one opened fire on the victim. Four bullets found their mark and the man was pronounced dead on arrival at the Paulun Hospital. The assassins escaped.

An inquest was held in the local British court on May 4 into the death of William Blyth Carine, who was shot dead by two Chinese gunmen in the compound of Imperial Chemical Industries, Ltd. on Apr. 28. The compound where the shooting took place is located on Crescent Avenue, in the "Badlands." Mr. Carine, who was the caretaker, had challenged two Chinese who were trespassing on the premises. By way of reply they drew guns and shot him dead. "It is a dreadful state of affairs when in the outskirts of any city like Shanghai a peaceful individual should be murdered for doing his duty," Coroner C. H. Haines declared in finding that Mr. Carine had been murdered by two Chinese whose identity is apparently unknown.

Hirokichi Nakai, 49-year-old Japanese grocer, was done to death with an axe by Chinese robbers who attacked him in his home and shop on Tiendong Road, Hongkew, on the morning of May 2. The deceased man's wife was knocked unconscious by the intruders, but not killed. The robbers got away with Yen 233.

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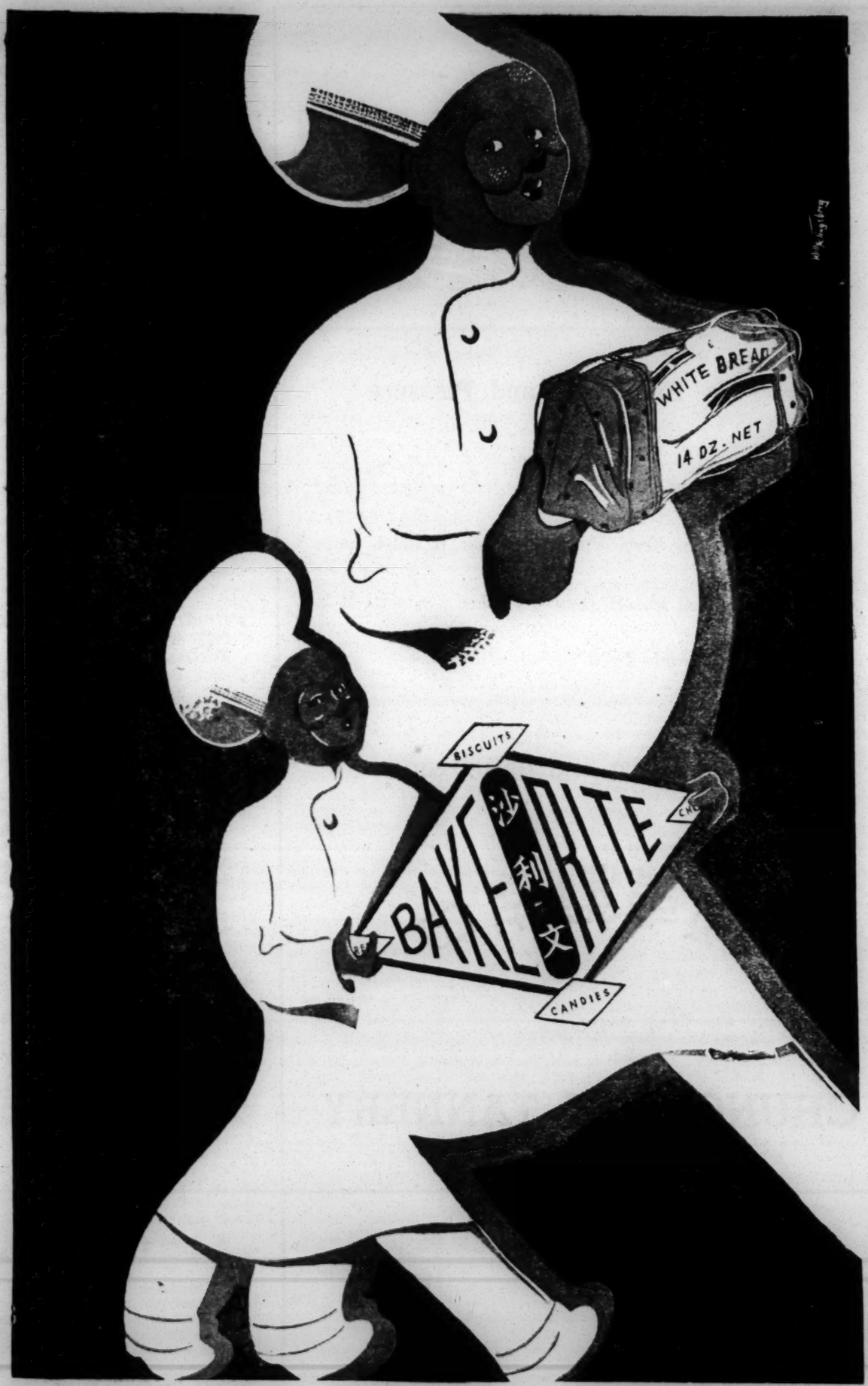
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Hua Tung Company Awarded Part of Claim;

The Hwa Tung Electrical and General Engineering Works, which brought an action for US$27,170.65 against the Home Insurance Company on a war risk policy for property looted during the hostilities in the Yantszepoo area, was awarded US$8,145 in a judgment given by Judge Milton J. Helmick in U. S. Court on May 2.

The case attracted wide attention due to disclosures concerning wholesale looting by Japanese soldiers and ronin after the fighting in the area where the factory is located. The plaintiff was represented by C. S. Franklin and P. F. Faison and the defendant by H. G. Nelson.

Opium Death Claim Dismissed by U. S. Court

A case against two American physicians, Drs. H. A. Mourer and C. L. Dale, members of the Seventh Day Adventist Mission, charging negligence in the treatment of a woman for the opium habit, was dismissed because of inadequancy of testimony, by Judge Milton J. Helmick in U. S. Court on May 1. The physicians were represented by attorneys H. G. Nelson and N. E. Lurton, while the plaintiff, Mrs. Woo Lang-ying, was represented by C. S. Franklin.

The case attracted considerable attention due to references to the so-called hyocine treatment for the opium habit. The action was brought by William Woo, Woo Ia-dih, Woo Ai-ming, Woo Shou-kong and Woo Pao-king, administrators of the late Mrs. Woo's estate. According to the evidence, Mrs. Woo Lang-ying had been taken to the Shanghai Sanitorium and Clinic, operated by the Seventh Day Adventists, for treatment for the opium habit. She had become weak and wasted from the habit and was only three feet tall. She was given small doses of hyocine, a drug which counteracts opium poisoning. However, due to her long addiction to the drug and weakened condition, Mrs. Woo died—on Dec. 11, 1939. The family sued for US$10,000, charging medical negligence.

Dr. T. S. Kiang, the plaintiffs' expert witness, alleged, from the hospital charts indicating the patient's temperature, that the doses administered had been too large and continued too long. When questioned by attorneys Lurton and Nelson, Dr. Kiang admitted that he had never administered the treatment himself and had only read of the method of treatment in a medical book.

In making his decision, Judge Helmick said that an unsuccessful result with a patient did not necessarily make a doctor guilty of negligence and that an "unbroken chain of cause and effect" leading to death by malpractice must be established before negligence can be admitted. This unbroken chain of evidence was absent in Dr. Kiang's testimony. Dr. Kiang said he had graduated from the University of Hamburg, Germany.

SKF

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SHANGHAI

Death from Famine Threatens 200,000

BETWEEN 100,000 and 200,000 Chinese will die of starvation in central Hopei, between Paoting and Tientsin, before the spring wheat crop is harvested, according to foreign and Chinese relief workers who were quoted on the subject by H. H. Barger, *United Press* correspondent, who recently toured the area and wrote his findings in a lengthy dispatch from Kaoyang, former seat of the guerrilla government in Hopei, on Apr. 30.

Warfare between Japanese troops and Chinese guerrillas, the correspondent said, is a considerable hindrance to relief work in the famine area. The guerrillas will not allow grain to be transported from their areas to Japanese-controlled territory, and the Japanese will not allow grain to go in the other direction. Thus mission relief workers find their hands tied.

Another difficulty, according to the correspondent, is the attitude of the Japanese toward foreign assistance to the Chinese. They apparently do not want the Chinese to be too grateful to those whom the Japanese term "foreign imperialists."

The town of Kaoyang, from which the correspondent wrote, was probably the hardest hit in the entire North China flood area last autumn. The fields for miles around were covered with water eight to 10 feet deep. The houses, made of mud bricks, crumpled and the small food reserves stored in them were washed away.

During a trip into the guerrilla-controlled countryside the correspondent saw a child picking grass. "Of every clump of grass he picked, he ate about half. I asked him about his family and what food they had. He was shy, but agreed to take me to his father. After walking about a third of a mile, we entered a courtyard filled with tree trunks stripped of their bark. In an inner court were piles of bark and a basket of pounded, mealy sawdust. At a call from the boy, a lean man of 30 emerged from the mud hut at the rear of the courtyard.

"The boy's father apologized for the condition of his house but asked me in to have a cup of water. He had no tea. I asked him how long he had been in the Kaoyang area, and he told me that he and his son had returned in February in order to get work in one of the spinning mills. But when he returned he found that all the spinning equipment in the town had been destroyed or moved to Paoting.

"He and his son had been living on bark mixed with a little grain but with the greens appearing in the fields they are now able to add that to their diet. Neither father nor son looked starved, although both were extremely thin.

"I walked back to a field with the father, a plot which he and his son had planted with grain loaned by the American Board Mission. But the land does not belong to the boy and his father. The former owner had not returned to Kaoyang at the time of our talk, so the farmer, facing certain starvation if he did not get some food soon, planted. He hoped that the owner would not return, or that if he did that the wheat crop would be shared."

Chinese With German Bride Forced to Leave Reich

A Chinese student named Tso-chow Wang and his German bride, Magdalena, were fined £5 each in Basingstoke police court, London on Jan. 4 on the charge of entering Britain with a false passport. Both smiled, however, for it meant the end of months of trouble and worry, and it also meant that they were free to remain in England until their passage to China could be arranged by the Chinese Purchasing Commission. In their testimony at Basingstoke police court Wang stated that his troubles began when he started courting Magdalena. Both were hounded by the secret police and threatened with incarceration in a concentration camp. After they were married, they were compelled to live in separate towns. Finally Wang escaped to Denmark (prior to the Nazi occupation) where he obtained a faked passport with which he succeeded in getting his bride across the border. Both were arrested when they arrived in London because of the irregular passport. Wang is 30 years old and was an engineering student in Germany. Magdalena is 27, blue-eyed and blond. Both were happy to escape from Hitler's Gestapo.

Secrecy Shrouds Nanking Doings of General Abe

NEWS from Nanking last week was conspicuous by its absence. Since the beginning of this month, an impenetrable curtain of mystery has cloaked the activities of Gen. Nobuyuki Abe, Japan's state agent stationed in Nanking. Gen. Abe's chief mission is to obtain Wang Ching-wei's signature to a treaty. How far he has gone in this work cannot be ascertained, but it can be safely presumed that heated bargainings between Wang and Gen. Abe are now under way.

The enthusiasm worked up in Tokyo in connection with the recent celebration of the establishment of Wang Ching-wei's regime in Nanking appears to have completely evaporated. The first manifestations of relief and happiness are now replaced by expressions of dissatisfaction and misgivings. There has been so much criticism of the Nanking regime that Foreign Minister Hachiro Arita had to come out in its defense. Meanwhile, Premier Yonai, evidently worried by the steadily waning morale of the Japanese people, found it necessary to renew his appeal to the nation to consolidate the home front and strengthen determination to attain the objective of Japan's campaign in China.

Arita and Pessimism

Castigating critics of the Nanking regime, Mr. Arita in a speech before the Foreign Affairs Association of Japan on May 3 said that Japan should give its full support to the new China government and at the same time bring pressure on Chungking by force, so as to dispose of the China conflict in the shortest time possible. Speaking more specificially, he said: "There are some who advance the pessimistic view that the new Central Government is impotent, but they are the words of those who only see its defects. There is no appropriate scheme at present except that of seeking a solution of the conflict by supporting the new central regime."

The Foreign Minister reiterated that the primary objective of Japanese diplomacy is to attain a settlement of the China conflict, seeking to minimize friction as much as possible in dealing with problems arising with other Powers. Mr. Arita admitted that "it is no easy task" for Japan to carry on its war in China and at the same time seek to expand its industrial production. "But we must advance along this path with the utmost diligence," he urged.

Addressing the provincial governors at their annual conference on May 2, Premier Yonai stressed the importance of strengthening the home front in face of the present national and international situations. He said that in spite of the present complication of world affairs, Japan would concentrate her efforts on the disposal of the Sino-Japanese conflict by pursuing a non-involvement policy in the European war.

Intensified Campaign

Referring to the Wang Ching-wei regime, he reiterated that Japan will spare no effort in assisting and cooperating with Wang. At the same time, he said, Japan will intensify her campaign to "destroy the pro-Japanese Communist and anti-Japanese elements still remaining in China." "However," Premier Yonai further stated, "the establishment of a new order in East Asia, by eradicating the pro-Comintern and anti-Japanese elements in China, calls for further efforts and will take considerable time. Japan should do her utmost to consolidate the home front and should increase her determination to attain the objective of the campaign in China, no matter how long it will take."

How news of the shortage of daily necessities in Japan has affected the morale of the Japanese rank-and-file soldiers fighting on the China fronts was revealed by Shigeru Yoshida, welfare minister, who recently returned to Japan after a brief visit to China. Mr. Yoshida told his cabinet colleagues that during his trip to the Central China war fronts many officers and soldiers had appeared worried by reports of acute shortages in Japan. He urged the Government to take strong measures to curb the circulation of such rumors in order to relieve the anxiety of the Japanese troops serving on the China fronts.

In spite of repeated verbal protestations of support for the Wang Ching-wei administration in Nanking, Japan is still witholding its recognition, presumably in order to get the best bargain out of Wang before definitely committing itself. Nanking's anxiety to secure such recognition as speedily as possible may be explained as the reason for its decision to send a tribute-bearing mission to Tokyo some time in the middle of this month. Chen Kung-po, Legislative Yuan president, Liang Hung-chih, the Control Yuan president, and Wen Tsung-yao, the Judicial Yuan president, have been chosen as special envoys of Wang Ching-wei. They are scheduled to leave for Japan on or about May 16, and will be accompanied by a

Bad Odor in Nanking

Talburt in Washington (D.C.) Daily News

group of economic envoys selected from the people.

Ting to Japan

For the purpose of "strengthening friendship between the Japanese and Chinese peoples," Wang Ching-wei was said to have decided to send Ting Mo-chun, social affairs minister, to Japan to exchange views with various Japanese leaders. Ting, however, will leave at a later date.

Chu Min-yi, who occupies the dual post of vice-president of the Executive Yuan and minister of foreign affairs, broadcast a short speech to Japan from Nanking on May 4. His subject was "peace, whose meaning is of the utmost importance." Cooperation between China and Japan, he said, will affect not only Asiatic nations but also the peace and order of the whole world. He strongly denounced the suspicion of others and emphasized that after the long conflict between China and Japan the former hatred between them can be eliminated, provided a thorough understanding is reached.

The first known case of a Japanese charged with treason against Japan was provided by the arrest of one Yoshinori Yamaura by the Japanese Gendarmerie in Shanghai on May 3. Yamaura is accused of having assisted the enemy by disclosing military secrets. He is also alleged to have made Y.40,000 through fraudulent means. According to the *Shanghai Mainichi*, Yamaura has had four convictions for breach of the press law and bribery on his record. He was formerly a student at Tokyo Imperial University.

New People's League

A new Japanese organization to promote Japan's war aims in China was formed last week, when the so-called People's League for the Construction of a New Asia came into existence in Tokyo. At its formative meeting, the League adopted a platform which contains the following three main points:

1. Assistance to the Government to attain its objective in the war in China;

2. The establishment of a new order in the world in cooperation with countries supporting Japan's prosecution of the war in China, and

3. The wiping-out of the present colonial status of China and its replacement by an independent economic system in East Asia, including Japan, Manchukuo, China and the South Seas Islands.

The Central Press Service of China, new press organ of Wang Ching-wei, came into existence on May 1 in Nanking at a brief ceremony presided over by Lin Pai-sheng, Nanking's publicity minister and concurrently chairman of the Board of Directors of the organ. The news service was organized by the amalgamation of the former China News Agency and the United Press of China News Agency. The latter was previously the organ of the Nanking "reformed" puppets.

Japan and Europe

If the *Central China Daily News*, Wang's mouthpiece in Shanghai, can be taken as reflecting Japanese views, then a significant hint has been provided by an editorial in the paper as regards Japan's possible involvement in the European war and the side she will take. After asserting that the present international situation is favorable to East Asia, the editorial said that Great Britain, adhering to its appeasement policy, is striving to compromise with Japan, thereby dealing a serious blow to Japanese-American and Japanese-Soviet relationships.

No mention is being made of the conclusion of a miliary alliance between Japan, Germany, Italy and Soviet Russia at the present time, the paper said, and it is likely that Japan will side with the Allies as she did in the first World War. Although this is purely a presumption, the paper qualified, it must be noted that Japan is still at the crossroads and has not yet decided whether she should continue her pro-German and pro-Italian policy or switch to a pro-Allied policy.

Returning Soon

Adet, Anor and Meimei, daughters of Mr. and Mrs. Liu Yutang, who are returning shortly with their parents to China after two years abroad, in Europe and the United States, where Dr. Lin completed several books and even the children did their quota of literary work and broadcasts for China.

Visit to Peiping

The current visit to Peiping of two high Nanking officials, Liang Hung-chih, president of the Control Yuan, and Wang I-tang, president of the Examination Yuan, has aroused speculation regarding relations between Nanking and Peiping. The visit of these men is particularly conspicuous in view of the reported intention of Wang Keh-min, head of the Peiping regime, to make a trip to Japan in the latter part of this month, probably simultaneously with the departure of the Nanking envoys. According to the *Domei* agency, the purpose of Wang's trip will be to express his appreciation to Japanese officials for the "support" they have given China, and also to report on the current situation in North China.

The Japanese Economic Inspection Mission which arrived at Peiping recently paid a special call on Wang Keh-min and exchanged views with him on the terms of Sino-Japanese economic collaboration. It appears that the Japanese are attempting to negotiate a separate economic agreement with the Peiping regime, aside from a general treaty which Gen. N. Abe is trying to conclude with Nanking.

Badly in need of funds to finance its economic schemes, the North China Development Company, Japan's state organ for the exploitation of North China, has, according to a *Havas* report from Peiping, decided to launch a bond issue amounting to $40,000,000. The bonds are to be redeemed within 12 years—provided the concern lasts that long.

A Puppet Killed

The casualty list of the puppets was augumented on May 3 by one more addition in the person of Chang Jue-po, Hupeh's finance commissioner, who died at the hands of patriotic Chinese gunmen. He was assassinated only one day after he got his new appointment. Prior to this he was for a considerable time chief secretary of the Wuhan Peace Maintenance Commission.

Blaming wars on human selfishness, Gen. and Madame Chiang Kai-shek, in a letter sent to the first conference of the United Methodist Church, recently held at Atlanic City, New Jersy, said:

"The underlying causes of the hostilities bringing bloodshed and devastation both to our country and Europe are similar, in that they spring from the same selfishness and avarice of men whose motives of life are not influenced by the teachings of Christ."

Gen. Chiang, in his capacity as concurrent chairman of the Szechwan Provincial Government, lately issued a circular telegram to the local gentry in the province, urging them to assist the Government in carrying out the program of local autonomy and, in particular, in enforcing the new district system.

Labor Day Broadcast

"There can be no permanent peace in the world unless Japanese aggression is checked," Foreign Minister Wang Chung-hui declared in an international radio broadcast address from Chungking on the occasion of Labor Day. Speaking on "The Defense of Civilization," Dr. Wang charged Japan with responsibility for disturbed conditions throughout the world. Referring to the puppet Nanking government under Wang Ching-wei, he said that the regime will not succeed because the Chinese people know the real meaning of Japanese domination.

"Japan's object in invading China is not only to enslave 450,000,000 people," Dr. Wang said "but also to wipe out Chinese civilization and re-

place it with Japanese militarism. But in this they will fail ignominiously, for the Japanese themselves are the best anti-Japanese propagandists in the world. Despite all their professions of good intentions they are judged by their atrocious behavior, which has horrified the entire world."

On the occasion of Labor Day the Chinese Labor Unions' Federation cabled to the United States, British, French and Soviet labor unions, expressing their gratitude for the assistance given to China by workers abroad. The Chinese Labor Unions' Federation also pledged the support of Chinese workers to the cause of world peace.

Recall Rumored

Nanking sources were responsible for a rumor of the imminent recall of Dr. Hu Shih, Chinese Ambassador to Washington, and the appointment of Dr. W. W. Yen as his successor. Dr. Yen was reported to have gone to Chungking to confer with the central authorities, while Dr. Hu, after his return, will assume the post of president of the Academia Sinica which has become vacant since the death of Dr. Tsai Yuan-pei, it was said.

Chang Peng-chun, well-known lecturer and publicist, was appojnted last week new Chinese minister to Turkey. Describing his appointment as an agreeable surprise, Mr. Chang said in a press interview in Chungking that he had always admired the great struggle of the Turkish people for national regeneration and the results and spirit of national reconstruction in Turkey which has been transformed into a modern state. Turkey is not only a great Power in the Eastern Mediterranean, Mr. Chang further said, but is also one of the most important links in international relations. He added that he would strive to improve the mutual understanding in all fields between the Chinese and Turkish peoples.

Lin Airs Views

Dr. Lin Yutang, noted Chinese author and lecturer, speaking at a reception given in his honor in Manila, accused Wang Ching-wei of being "just a plain fool. He was born to a slave girl and apparently still has the mentality of a slave." Dr. Lin said that if Wang was a true Chinese patriot, he should know that the "first rule of a poker game is that one must have a pair of Jacks or better to win—he doesn't even have a pair of deuces."

While relations between the Kuomintang and the Communist Party still leave much to be desired, the Japanese allegation that the Soviet Ambassador has warned Gen. Chiang Kai-shek regarding the possible consequences of anti-Communist measures by Chungking, elicited a sharp denial from Moscow. The official Soviet *Tass* news agency described the allegation as a "dirty provocational fabrication" and "utterly false."

Quoting alleged reports appearing in the *Hsin Hua Jih Pao*, Communist organ in Chungking, the Japanese *Domei* agency said that Mao Tse-tung recently bitterly assailed Chungking's attempts to reassert control over the Sovietized border districts on the plea of national unity, as an attempt to impose despotism on China. Chungking's efforts to effect unity, Mao was alleged to have said, would result in a "unity of humiliation." Mao was further quoted as having asserted that the Communists can never compromise with such attempts.

Red Conference in Yenan

Urging continued resistance against the Japanese, Communist military and political leaders in a series of conferences held at Yenan recently to discuss the increasing rift in Kuomintang-Communist relations, expressed deep anxiety at the "deadlock" in China's anti-Japanese campaign, another *Domei* dispatch from Hongkong stated, basing its information on the *Hsin Hua Jih Pao*. The party leaders reportedly rejected Kuomintang efforts to win control over the Communist 8th Route Army and the New Fourth Army as well as to secure domination in the border districts. Any decisions taken by Chungking aimed at the Communist troops or at Communist administrations in the border areas will be ignored, the Japanese report further alleged.

Communist armies in North China have been split into two groups as a result of friction, a Japanese report from Peiping claimed. The report alleged that Chungking troops recently drove the Communist 8th Route Army in southeastern Shansi to the Honan-Shantung border. As a result, it is said, the influence of Gen. Chu Teh, commander-in-chief of the Communist forces, has waned considerably.

Anti-Communist Compaign

Far-reaching measures to curb Communist influence in Western China, including the establishment of a Chinese National-Socialist newspaper in Hongkong, are alleged to have been taken by Chungking. First among these is said to be the subsidizing of the Chinese National Socialist Party, described as irreconcilable foe of the Communists, with a grant of $2,000,000 to finance the establishment of party branches in various parts of China. This sum is stated to have been handed to Dr. Carson Chang, leader of the Party, in Chungking recently.

Meanwhile, Chungking reports stated that Chen Li-fu, education minister and leader of the anti-Communist C. C. Group, would leave soon on a tour of Shensi, Kansu and Hopei to investigate the activities of the Communists and the operations of the 8th Route Army units in those areas.

Bluntly warning the Communists not to allow China to follow in the footsteps of the Red Spain of two years ago, Gen. Pai Chung-hsi, commander-in-chief of Chinese Forces in South China, addressing a mass meeting in Kweilin on May 4, urged the entire Chinese nation to redouble its efforts in the war of resistance against Japan, according to a another *Domei* dispatch from Hongkong. Gen. Pai said: "It is at present the paramount duty for all to struggle for victory, before anything else, and we need not worry too much about the future of other things."

Denouncing Wang Ching-wei as having sold out China to Japan and asserting that the Chinese people are fully behind the National Government, Madame Sun Yat-sen, in a speech at a tea party given in her honor in Chungking recently, said that the Chinese people will closely follow the "platform of independence, democracy and prosperity of the Republic's founder." "Only Wang Ching-wei and his treacherous gang have surrendered to the enemy, formed a puppet regime and sold out the country by violating the San Min Chu I. We must hold firm to our conviction in our united task of national salvation," she exhorted.

The attitude of Germany toward the Wang Ching-wei regime remains an uncertainty. This is reflected in apparently contradictory views held by German press agents in China. In an address in Chungking recently, Herr Wolfe Schenke, representative of the German D.N.B. Agency in Chungking, reportedly declared that Germany will not recognize the Wang regime in Nanking and that the German press has been instructed not to give publicity to the Nanking administration. This statement was promptly denied by Frederick Glimpf, Shanghai manager of the D.N.B. bureau, who decribed the reports of Mr. Schenke's address as being untrue and "all rubbish." If any statement was made by Mr. Schenke in Chungking, Mr. Climpf added, it was absolutely unofficial. Meanwhile, a *Domei* dispatch from Nanking stated that the German *Transocean* Agency will be the first foreign news organization to open a bureau in Nanking, quoting Hans P. Melchers, Far Eastern Manager of the agency, as having announced that his agency will station a correspondent in Nanking permanently.

Local Japanese Given New List of "Don'ts"

A series of new regulations, telling Japanese citizens in Shanghai some of the things they may not do, were decided upon May 4 at a conference of representatives of the Japanese Consular Police, the Japanese Gendarmerie and the Japanese Special Naval Landing Party held at the Japanese Club on Boone Road, according to the Shanghai *Mainichi*. The regulations were said to provide heavy punishments for Japanese who:

1. Rent houses and then obtain unjustified profits by sub-letting them;
2. Drink too heavily and become boisterous;
3. Amass an unjustified fortune within a short space of time;
4. Sell opium secretly, and
5. Forward such commodities to other provinces.

Rent profiteering by Japanese citizens (in Japan) was the subject of a report in the *Japan Weekly Chronicle* on Apr. 25. The paper said that a Kobe landlord had been arrested for violating the "stop price" ordinance of last Sept. 18. He owned an apartment house and had been charging his eighteen lodgers from Yen 17 to Yen 19 a month. He attempted to raise rents by two or three yen, but the "Economic Police" stepped in and placed him under arrest.

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Chinese Dollar Sinks to New Low As Hongkong Fund Ends Support

A blow long anticipated, but which nevertheless came as a severe shock, was delivered to Shanghai last week when the Chinese dollar *(fapi)* plummeted in a steep dive to a point about 30 per cent lower than its previous value in terms of foreign exchange. The crash came on Thursday, May 2 and at the lowest point in the headlong fall reached a quotation of 23 Chinese dollars to one American dollar. At the beginning of this week it hovered between the rates of 21 and 22 to one.

Immediate cause of the crash was discontinuance of intervention of the Anglo-Chinese Stabilization Fund in the Shanghai exchange market. In February, the Fund, which is operated from Hongkong, held about £7,000,000. Support of the *fapi*, however, cost the fund more than £5,000,000 in the past three months and there has been no replenishment. Last week, the British and Chinese banks operating the Fund declined to sell foreign currency against *fapi* and the latter inevitably dropped.

Adverse Trade Balance

Behind the Fund's inability to continue its support of *fapi* lay two major factors: the heavy adversity of Shanghai's trade balance and speculation against *fapi* by local exchange market operators. Three months ago it was hoped that the Fund's £7,000,000 would prove sufficient to tide over the period of heaviest import until the new harvest, beginning next month—provided additional foreign exchange from new exports relieved the local foodstuffs emergency. At the same time, the Fund hoped to discourage speculation by increasing the tightness of local money, taking out of circulation some $300,000,000 in *fapi* by the sale of £5,000,000.

Both aims were defeated. Imports were heavier than expected. Exports remained below the anticipated value. Speculators, instead of being discouraged, speculated more wildly, paying tremendous interest to get their hands on the foreign currency.

Whether the Hongkong Fund will be replenished to enable fresh intervention in support of *fapi* is still an open question. In view of the war in Europe, Britain is not likely to advance new funds for this purpose. Local American businessmen are endeavoring to persuade the United States to come to the rescue. Just before the *fapi* plummeted last week, a group of Shanghai Americans, organized in the American Information Committee, wired Secretary of State Cordell Hull, strongly recommending a loan to China to stabilize the Chinese currency. It was announced in Washington that the appeal had been referred to the U.S. Treasury.

Fear Puppet Bank

The authors of the appeal had anticipated a further weakening of *fapi* from different causes than those which actually operated. They asked the United States to grant a currency loan to China in order to forestall further attacks on *fapi* through the creation of a puppet central bank operated by the Japanese Army and the Wang Ching-wei regime. They expressed the fear that the Japanese were planning a system of exchange control in Shanghai similar to that in operation in North China, leading to further discrimination against American trade.

The press in Japan gave front-page prominence to the slump and the action of Shanghai Americans in asking the United States to support *fapi* with a loan. Financial experts in Tokyo, according to *Domei* report, attributed the drop to the fact that China's balance of international payments had disappeared, that the stabilization fund had been drained, and that "the reorganized National Government of China has returned to Nanking."

It was perhaps no accident that on May 3, the day after *fapi* collapsed, the Japanese announced that plans were being pushed for the establishment of a central puppet bank in Nanking and that a preparatory committee was already functioning. At the same time, a Japanese report from Hankow told of the establishment of a new "Chungking Commercial Bank," capitalized at $20,000,000, to serve the middle Yangtsze Valley area, which is under the jurisdiction of the new puppet government. The new bank was to open for business in Hankow last Sunday, with Shih Hsin-chuan at the head of the board of directors, the report said, adding that branches would be established at Nanking, Shanghai, Wuchang, Siyang, Nanchang, Yochow and Kiukiang.

With more luck than foresight, the Shanghai Municipal Council converted a large part of its recent deficit loan into Sterling just before the *fapi* slumped last week. A total of £100,000 was acquired at the former exchange rate and all the Sterling requirements in this year's budget are said to have been now provided for. Disclosing these facts, the treasurer of the S.M.C., Mr. J. W. Morcher, admitted that the slump of *fapi* had caught him, as everybody else, by surprise.

All Prices Soar

Not so lucky are the overwhelming mass of Shanghai residents. Merchandisers of all categories immediately raised their prices, the increases in most cases being greater than the actual decline of the currency, especially in the case of imported goods, where increases of as much as 50 per cent have been observed. Business houses, both Chinese and foreign, have shown not even a scanty respect for the warnings of the Shanghai Municipal Council against profiteering.

There was a virtual run on Chinese banks last Saturday and early this week as depositors, fearing a further drop in the *fapi*, sought to withdraw funds and convert them into foreign currency at native banks and exchange shops. As the current week

got into its stride, however, holders of foreign exchange indulged more noticeably in profit-taking and this eased the market somewhat. A number of exchange shops were virtually bankrupted by last week's slump and unable to continue operations.

Opposition to Nippon Discrimination Asked

The United States Chamber of Commerce, meeting in Washington, D.C. on May 2, adopted a resolution requesting the Government to continue to oppose Japanese discrimination against American business interests in Japanese-occupied areas of China. The action was taken, according to *United Press*, at the request of the Shanghai American Chamber of Commerce and with the support of delegates of chambers of commerce throughout the United States.

The Shanghai request was received in Washington several months ago and was selected as one of the resolutions which would be considered when delegates of the Chamber met last week.

The resolution has no connection with the Shanghai American Information Committee message sent to the Secretary of State, Mr. Cordell Hull, last week requesting an American loan for the stabilization of the Chinese national currency.

Standardized Shoes to Be Worn in Japan

Shoes of canvas and shark or whale skin in standardized styles will be put on sale in Japan before summer by the Federation of Shoemakers' Unions in keeping with the Commerce and Industry Ministry's policy of standardizing the nation's footwear, *Domei* reported May 3.

The Federation previously turned out standardized shoes of pigskin with soles of waste rubber. More than 5,000 pairs of these shoes had been put on the market with their sales price set at yen 9.50 a pair.

Production of pigskin shoes, however, was suspended because of the decline in the supply of pigskin due to the shortage of feed for pigs. Shark or whale skin shoes are to take the place of pigskin shoes.

Nippon Planes Bomb Yunnan; France Protests

The French Ambassador to Tokyo on May 2 lodged a new protest with the Japanese Government over the bombing of the French-owned Yunnan Railway, *United Press* reported from Paris. While the protest was being made, Japanese aerial raiders were continuing their depredations in the province of Yunnan—and boasting of them. On May 2, according to a *Domei* report from Hongkong, naval planes heavily damaged an "undisclosed point," believed to be located on the railway. Kaiyuan was also raided. In Kunming, citizens huddled in air-raid shelters for three hours, but no attack took place.

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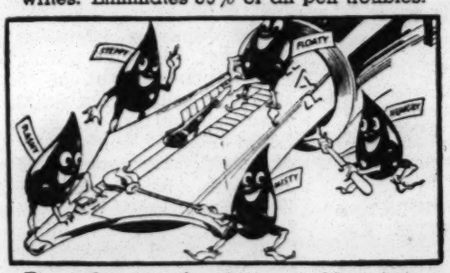

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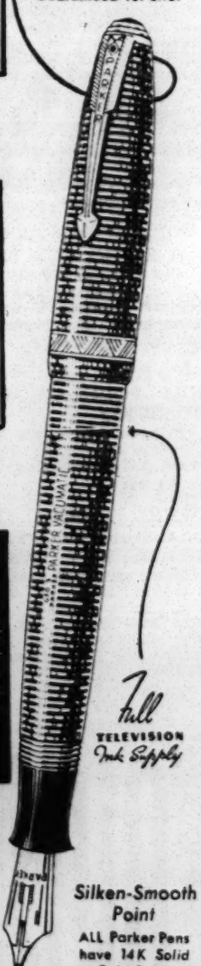

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Japanese Launch Three-Directional Offensive Against 5th War Zone

ITALIAN CHURCH IN LAOHOKOW BOMBED

An Italian Catholic Church at Laohokow, 200 miles northwest of Hankow in Honan Province, was badly damaged and numerous casualties caused when Japanese planes bombed the city on May 5, according to a Central News Agency report.

NORTHERN Hupeh, one of the quietest fronts in China in recent months, sprang to first place in the war news at the end of last week as Japanese troops launched what *Domei* described as a "vast offensive" against six Chungking divisions comprising 200,000 men. For the first time, regular "Pacification" forces of the new "National Government" at Nanking were assisting the armies of Dai Nippon, the Japanese agency stated. The Chungking forces being subjected to new attack are located in China's "Fifth War Zone."

The Japanese offensive, according to *Domei*, began at midnight on May 3-4. Japanese front line detachments advanced south from Suihsien and in a surprise attack at dawn captured Langhotien, having moved a distance of eight kilometers. Five other Japanese detachments struck at Wangkiaouwan, in the same neighborhood, seizing the village by daylight. A third Japanese force crossed the Yun River from the vicinity of Chehnonienchiawan, 18 kilometers southwest of Suihsien, to seize Chaochiawan, while Chinese "Pacification" troops reportedly engaged Chungking outposts in the hills north of Langhotien.

Coordinate Actions Launched

According to further Japanese reports, coordinate actions were being fought against Chinese troops in southern Honan along the Peking-Hankow Railway, in the Tapieh mountain range along the Honan-Hupeh border, and along the upper reaches of the Han River. The total movement was described as the largest attack launched by the Japanese in central China since the Hupeh operations last year.

Chinese reports admitted that the Japanese troops moving out of Suihsien had made some of the progress claimed and declared Chinese positions were being heavily pounded by artillery fire directed from balloons. The Chinese were stubbornly resisting the attack, according to a *Kuo Min* report from Fanchang. It was estimated that four Japanese divisions and an independent brigade were operating in northern Hupeh, with another 40,000 Japanese troops engaged in the Sinyang sector in southern Honan. The general direction of the combined Japanese offensive is southwestward, toward Ichang and Chungking.

Progress of the offensive in southern Honan was reported by *Domei* on May 5. The agency said that Japanese forces, in their powerful three-directional offensive, reduced the Chinese stronghold of Miyang, supply base of the Chungking armies under Gen. Sun Lien-chung, situated in southern Honan, 60 kilometers west of the Peking-Hankow Railway. It was claimed the same day that the Chinese 38th Division near Fenloho, in northern Hupeh, 30 kilometers north of Anlu, had been crushed and Fenloho occupied.

In the light of the new military developments in Hupeh, a review of the military situation in China, published by the leading Chinese daily, the *Shun Pao*, on May 6, made rather curious reading. The Sino-Japanese hostilities, the paper declared, had reached a stalemate, revealing the weakness of the Japanese war machine and attesting the increasing strength of the Chinese army.

Pai Chung-hsi Speaks

Also contradicting reality was a speech made by Gen. Pai Chung-hsi, commander of Chinese forces in the southwest, at the weekly Sun Yat-sen memorial meeting in Kweilin on the same day. According to the *United Press* version, Gen. Pai said that Japanese strategy at present is marked by efforts to shorten their front lines and consolidate their defense of key points, mopping up rather than expanding operations, and the development of transportation lines. The Japanese, he continued, were doing their utmost to develop economic exploitation of China through pro-Japanese Chinese and were attempting to overthrow the Chinese currency. He urged all Chinese to launch economic counter-attacks against the invaders.

Liuchow in Kwangsi Province was heavily bombed by Japanese planes on May 6, 30 civilians being killed, *United Press* reported from Kweilin. This raid was one of several made on highway cities northeast and west of Nanning, the others being conducted over Pinyang, Tsienkiang, Shihlung, Hwaiyuan and Ishan.

Macao Gambling Resorts Featured in New Movie

A motion picture dealing with "gambling and adventure" in the Portuguese colony of Macao has just been released in Paris, with Mr. Sessue Hayakawa, well-known Japanese star, in one of the leading roles, *Domei* reported on May 3. The picture is entitled, "Macao, Gambling Hell," and took two years to complete. It was taken from an original story by Maurice Dekobra, author of "Yoshiwara," a novel of the Japanese gay quarters. Mr. Hayakawa directed the picture himself. Prominent parts are played by Erich Von Stroheim, noted character actor, and Miss Mireille Valin.

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Canadian Mission Arrives in Japan

Improvement of trade relations between Canada and Japan by studying economic conditions in Japan is the object of a Canadian trade mission which arrived at Yokohama May 3 aboard the N.Y.K. liner Heian Maru, at the invitation of the Japan Foreign Trade Association.

Leader of the mission is Mr. M. Hamilton, former superintendent of the Canada Bank of Commerce at Vancouver, who is accompanied by his wife. Other members of the party are Mr. and Mrs. John T. Hackett and Mr. and Mrs. Alfred H. Paradis and their two daughters. The mission will remain in Japan until June 3.

While the leader of the mission had little to say on arrival at Yokohama, Mr. Hackett, lawyer of Montreal, said: "From what I know, the two countries, Japan and Canada, are almost a complete antithesis: Canada is a comparatively young country, Japan has a long and distinguished history. Canada covers an immense area, while Japan is a comparatively small country, Canada is very sparsely populated, while Japan is densely populated. Canada is rich in raw materials, while Japan has intensified industrial life. Taking all these things into consideration, there is, in my opinion, no reason why ground cannot be found for a general improvement in trade between our countries; but since I am a lawyer by profession, I am very anxious to study the judiciary system of Japan, as well as her educational system.

"However, since we are here on an economic mission, we hope we shall be able to find greater markets in Japan for our wheat, beef, lumber, copper, nickel and asbestos. At present, Japan buys a great deal of our copper and asbestos and some wood pulp, as well as lumber; in fact, the Heian Maru carried quite a cargo of copper from Canada.

"On the other hand," Mr. Hackett added, "there is no reason why we cannot buy spices, tea and raw silk from Japan. While it is true that we have many rayon factories in Canada, there are few silk plants."

Nantao Boom to be Opened Next Week

Effective May 15, a five-kilometer stretch of the Whangpoo River, running south from the French Bund, will be opened to general traffic to the extent that the maintenance of peace and order permits, the Press Section of the Japanese China Seas Fleet announced May 3. The opening of this section of Shanghai's principal waterway was decided upon, it was stated, in an effort to ease the congestion of the port. Navigation will be restricted to daylight hours, and piers and godowns belonging to third-party nationals in the newly-opened area may be used by their owners within the limits of "military necessity." A channel has been made through the boom which Chinese forces sank in 1937 at the commencement of the Nantao stretch of river, but vessels drawing more than seven meters of water will not be allowed to pass.

Japan Bans Needless Visiting to China

Acting on a Cabinet decision, the Japanese Ministry of Foreign Affairs has placed a ban on visits to China by Japanese subjects on non-urgent business, *Domei* reported May 7. An official communique on the subject said that while "inspection trips" would be banned, visits to China by Japanese who would be able to cooperate "directly and vigorously" in the construction of the "New Order" in this country would be permitted.

It was estimated that 580,000 Japanese civilians had visited China since the outbreak of Sino-Japanese hostilities in July, 1937 and that Japanese travellers were spending in China about Yen. 100,000,000 yearly. Japanese residing permanently in China now total 345,732 persons, representing a 15-fold increase compared with the 28,000 who were in this country prior to the hostilities.

Under the new regulations, those intending to visit Japanese forces in China will have to secure authorization from the War or Navy Office, while those who would come here on business must possess a certificate issued by the Japanese Consular Police at the place to which they intend to proceed, attesting that they have legitimate interests in that part of China.

Death Threat Held Over French Reds

The cabinet of Premier Renaud of France, successor to Premier Daladier, is proceeding with renewed vigor in the campaign to wipe out Communist opposition to France's war policy. Last week, according to a *Transocean* report from Brussels, it was hinted that the death penalty might be given six Communists arrested in Paris on a charge of conducting defeatist propaganda in the 20th arrondisement of the French capital, which is a working-class district. The death penalty could be applied, the report stated, under the terms of a decree of Apr. 10, 1940 which provides capital punishment for all acts tending to "demoralize the army or the nation with the aim of weakening national defense."

Meanwhile, French Communist parliamentary deputies arrested in the anti-Red campaign have been removed from prisons on the mainland and transferred to internment camps on the island of Yeu off the coast of Vendee, where common criminals are also being accomodated.

Munitions Dump Blast Blamed on Chinese

The burning down of six warehouses, as a result of a fire which broke out in a Chinese munitions dump at Chefang, on the Burma-Yunnan highway, was mentioned in a British Defense Department communique issued in Rangoon on May 4, according to a *Reuter* report. While in Chinese official circles the disaster—in which 25 Chinese coolies and two Chinese soldiers were killed—was attributed to a Japanese air raid, the British communique said sabotage was suspected. Apart from the killed, six Chinese coolies were badly injured, while 12 were reported missing. In addition, 20 British subjects received injuries and were taken to hospital at Lashio.

So severe was the blast that it left two large connected craters, 60 feet wide and 30 feet deep, where the munitions dump had been located. The town of Chefang was scarcely damaged, however, although the ceiling of the American Malaria Research Laboratory collapsed and some microscopes were damaged.

Great Northern Gives Up Business at Nagasaki

An agreement has been reached between officials of the Japanese Ministry of Communications and Mr. H. S. Poulsen, Far Eastern general manager of the Great Northern Telegraph Company, for transfer to the Japanese Government of the Company's business at the Nagasaki terminus of the Great Northern's cable system, it was announced this week. The transfer is to take place on June 1. It was also agreed that the Company's should give up its cables in Japanese territorial waters by April 30, 1943. The Company has operated a cable service between Nagasaki and Shanghai since 1871. When Germany occupied Denmark recently, the British authorities took over the Company's business in the colony of Hongkong.

American Mail Line Charters Six Vessels

The American Mail Line of Seattle has purchased from the U.S. Maritime Commission the trade name "Puget Sound-Orient Line" and has chartered six of the Commission's ships which have been operated by the Pacific Northwest Oriental Line, Inc., in the trans-Pacific trade since August of last year, it was announced this week. The ships taken over are the Capillo, Coldbrook, Collingsworth, Crown City, Satartia and West Cusseta. As hitherto, these ships will be used to maintain a fortnightly schedule between Puget Sound ports and the Orient.

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JOHN FRANCIS McMUNN, Plaintiff, vs. NATHALIE ARTCHEGOFF McMUNN, Defendant.	Cause No. 4483 Civil No. 2362 ORDER Filed at Shanghai, China May 7, 1940. WILLIAM T. COLLINS Clerk

The object of this suit is an action for divorce.

WHEREAS, plaintiff herein, by his attorneys, Messrs. Rodger & Wiener, has this 7th day of May, 1940, made application for the substitution of publication for personal service upon the defendant herein; and

WHEREAS, it appears from the files in this case that on the 7th day of May, 1940, the summons for defendant was returned by the United States Marshal for China with the following noted thereon: "Defendant cannot be found within the jurisdiction of this Court"; and

WHEREAS, it appears from the files in this case that on the 7th day of May, 1940, the plaintiff herein filed an Affidavit to the effect that the defendant does not now reside in China, nor has she resided therein since the 30th day of October, 1939, and that defendant's last known address was c/o Mrs. L. Nassanova, 502, North Minor Street, Seattle, Washington, U.S.A.

NOW, THEREFORE, it is this 7th day of May, 1940, ORDERED that service upon the defendant be made by publication once a week for three consecutive weeks in the China Weekly Review, a paper of general circulation most likely to reach the defendant.

IT IS FURTHER ORDERED that the defendant cause her appearance to be entered herein on or before the fortieth day, exclusive of Sundays and legal holidays, occurring after the 25th day of May, 1940, the day of last publication of this Order; otherwise the case will be proceeded with as in case of default.

By the Court:
Dated at Shanghai, China,
this 7th day of May, 1940.

MILTON J. HELMICK,
Judge.

Kiangsi Porcelain Plants Transferred to New Center

Japanese occupation of the Kingtehchen porcelain and pottery works in northeastern Kiangsi province will not kill the important industry, according to a report in the Chinese newspapers in Shanghai which stated that the Chinese Government at Chungking had selected a new site for the age-old industry in southern Kiangsi. Thousands of workmen who had been employed in the industry had evacuated the Kingtehchen district immediately after the fall of Nanchang, taking with them all of the paraphernalia of the "romantic art of porcelain making." Prior to the Japanese occupation Kingtehchen had 160 furnaces and employed 150,000 workmen, most of whom were descendants of workers who had lived there for many generations. At one time Kingtehchen had 500 furnaces and employed 1,000,000 men. Exports to foreign countries once ran to 500,000 pieces annually, said the report. The total value of domestic articles, including tens of thousands of rice bowls produced at Kingtehchen probably greatly exceeded the exports. The importance of the industry was due to the high quality of the *kaoling* or clay in the district.

Canadian Fined for Offering Information

Alexander Morant, 41, of London, England, apparently was the first man to be arrested for violation of Canadian war regulations concerning "transmission of information which would be of direct or indirect use to the enemy." Morant was first officer on a British steamer plying between Liverpool and Halifax. He wrote a letter to *The Chicago Tribune* offering to supply the paper with "specific information concerning war conditions." The letter was intercepted by the Royal Canadian Mounted Police who maintain strict censorship of all mail leaving Halifax in all directions. The letter which Morant wrote was intercepted shortly after the steamer had docked. He was arrested and brought before a Magistrate's Court from which press and public were excluded and adjudged guilty, the penalty being a fine of Can.$25 and costs or 30 days in jail. Morant paid the fine and costs and was released. The *Chicago Tribune* later issued a statement that the paper's policy was "against accepting information of any kind from non-correspondents of the paper."

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6

Outstanding Events in the Sino-Japanese War A DAY-TO-DAY SUMMARY

First installment of this day-to-day summary constituting a complete record of outstanding events in the Sino-Japanese war on all fronts appeared in the September 11th (1937) issue of The Review.

April 6

Gen. Fu Tso-yi, Commander of the Chinese forces in Suiyuan, decorated with the highest military order by Gen. Chiang Kai-shek for the recapture of Wuyuan and other victories in western Suiyuan.

The Japanese detachment which recently stormed Ssulo, near the French Indo-China border, turned northward on April 3 and, since April 4, has been attacking Tungcheng, 35 miles west of Nanning.

Gen. Yeh Ting, Commander of the New Fourth Army operating in the Shanghai-Nanking area, now visiting in Chungking to receive instructions from Gen. Chiang Kai-shek.

Gen. Chiang Kai-shek, giving his views on the problem of constitutional government in China at yesterday's meeting of the People's Political Council, said that it was easy to draft a constitution but difficult to enforce it. Pointing out that constitutions used in America and England are unsuitable for conditions in China, Gen. Chiang stated that he hoped that "ten or 20 years after the promulgation of the constitution we will be able to put it into practice."

Speaking at a farewell party to Gen. N. Abe, Japan's envoy to the Wang Ching-wei regime, Foreign Minister Hachiro Arita asserted that Japan's policy of supporting that regime was "unshakable, whatever attitude third powers may take." Arita attacked the Powers who "still failed to understand the object of Japan's military action in China and refused to look straight at realities."

The Pope has decided that the Holy See will continue to support General Chiang Kai-shek's government in China, according to a **United Press** report from Rome quoting authoritative Vatican sources. The Pope's decision indicated that the Holy See would not recognize the puppet Chinese government established by the Japanese in Nanking under the leadership of Wang Ching-wei. Vatican circles said that missionaries in China had reported that the Wang regime would not last long.

Wang Ching-wei in his capacity as "acting president," ordered China's rank and file soldiers to "cease fire" pending further instructions, and declared that all decrees issued to the nation and all treaties entered into by Chungking would henceforth be invalid.

Domei reported from Rome that Mussolini had decided to recognize the Wang Ching-wei regime in Nanking "at an appropriate time."

A Japanese court martial in Amoy sentenced to death 13 Chinese convicted of the murder of Hwang Lien-feng, a puppet official of the Amoy Municipality. Hwang was assassinated on Jan. 8 last.

Portugese forces were withdrawn yesterday from Lappa island, near Macao, and long claimed as Portugese torritory, on demand from the Japanese military authorities.

***

April 7

Chinese military reports stated that Chinese guerrilla units operating along the Shanghai-Nanking Railway, derailed an express train near Nanking on March 29 and dynamited a Japanese military train at Changchow.

Chinese troops in north-west Shansi reoccupied Fangshan on March 30. Fighting also reported in southeast Shansi.

Chinese army leaders on various fronts and provincial governors issued circular telegrams denouncing the Wang Ching-wei regime in Nanking.

***

April 8

Wang Ching-wei arrived at Peiping from Nanking by air. Said purpose of his visit was to investigate conditions in the north and to meet leading authorities, the Japanese Commander-in-Chief and others. The Japanese-controlled **Hsin Min Pao** at Peiping issued a manifesto attacking Wang, criticizing his regime, the peace terms and the adoption of the San Min Chu I and the Kuomintang flag.

Dire predictions of the results of his mission in China made by Gen. N. Abe, Japan's envoy to the Wang Ching-wei regime in Nanking, at a farewell reception given in honor of him in Tokyo. He said:

"I expect many criticisms of the results of my work in China, especially in view of the difficulties in the way of the smooth development of the new regime in the future."

"I may be shot during my duties in China," he added, "and return in ashes like a soldier killed on the battlefront."

Chinese troops reported closing in on Nanning from the north and south in several columns, according to Chinese field dispatches.

***

April 9

The People's Political Council yesterday decided to petition the National Government to clarify the term "territorial sovereignty." Members of the Council expressed the opinion that "territorial sovereignty" should, aside from China proper, also apply to Manchuria, Sinkiang and Tibet.

The **Central Daily News** at Chungking asserted that whatever reverses may be experienced in international relations, China must be prepared to continue resistance for another three years.

Speaking at a meeting at Winter Park, Florida, Dr. Hu Shih, Chinese Ambassador to Washington, declared that the 'Allies' war aims are China's also. The Chinese and the Allies have probably the same peace aims, Dr. Hu said, adding that "these include the defeat of aggression and the philosophy of aggression."

Frank P. Lockhart, Counsellor of the American Embassy in Peiping, appointed new American Consul-General in Shanghai succeeding Clarence E. Gauss, it was officially announced in Washington.

Wang Ching-wei arrived at Kalgan from Peiping this morning and conferred with Prince Teh, head of the puppet Mongolian Government.

***

April 10

The 5th plenary session of the People's Political Council closed. At its last meeting the Council appointed a special committee charged with the duty of preventing frictions between the Kuomintang and the Communist Party in the future. A resolution that China should no longer accept proposals by third powers for the readjustment of Sino-Japanese relations was adopted at the meeting yesterday.

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Wang Ching-wei returned to Nanking by air after brief visit to Peiping and Kalgan.

In a surprise attack, Chinese forces in north Kiangsi had recaptured strategic towns in the vicinity of Nanchang and were converging on the latter city, Chinese field dispatches claimed.

Japanese forces in the lower reaches of the Yangtsze fought 233 encounters during March against an aggregate of 43,300 Chinese troops, Japanese military authorities in Shanghai announced yesterday. Chinese casualties said totalling 2,036, while Japanese loss only 66. ...

Japanese forces fought 624 encounters against an aggregate of 139,000 Chinese troops during March in Shantung, **Domei** reported from Tsinan.

***

April 11

Chinese troops have launched attacks against Japanese concentrations on the majority of the fronts since the beginning of April and recaptured many strategic points, Chinese military spokesman in Chungking asserted.

To check the Chinese advance on Nanchang (capital of Kiangsi), the Japanese have broken dykes of the Fu River, thereby flooding the countryside south of the town, according to Chinese field dispatches.

The **status quo** of the Shanghai International Settlement preserved for another year, with the failure of the Japanese to dominate it entirely. In Municipal Election which took place yesterday and today, only two Japanese councilors were elected although five were nominated. The British returned five councillors and the Americans two.

Four Japanese army fliers were killed on April 7 when their bomber was crippled by Chinese anti-aircraft fire during a Japanese raid on a Chekiang-Kiangsi Railway bridge and crashed, according to a **Domei** report.

The two important results of the 5th session of the People's Political Council which closed yesterday described as: I. Reaffirmation by Gen. Chiang Kai-shek of the Government's determination to carry on the war of resistance, and 2. Defeat of a motion to revise the draft constitution promulgated by the National Government on May 5, 1936. The suggestion to create a political council to function during the time after the close of the present session and before the opening of the National People's Congress was rejected.

Gen. N. Abe, Japan's envoy to the Wang Ching-wei regime in Nanking, expected to arrive in China about April 23.

Bandits Release Germans, Get Only Luminous Watch

Two Germans, Mr. Lueder Haesloop and Mr. Ernst Reimers of Carlowitz & Co., who were kidnapped near Peiping with two companions on Apr. 28, have been released—the haul of the Chinese bandits being one watch with a luminous dial, *Havas* reported May 2. Miss Schuette of the German News Agency and Mr. H. Wolser of the German Embassy staff, were released unconditionally after the briefest detention and went to Peiping to arrange the release of the other two—the ransom demanded being $50,000. While waiting, Mr. Haesloop showed the bandits his luminous watch and they agreed to accept it in part payment of the ransom. Then puppet police arrived, opened fire on the bandits, hit no one. The bandits decamped and the police were so pleased at having rescued the two foreigners that they forgot to take up the pursuit.

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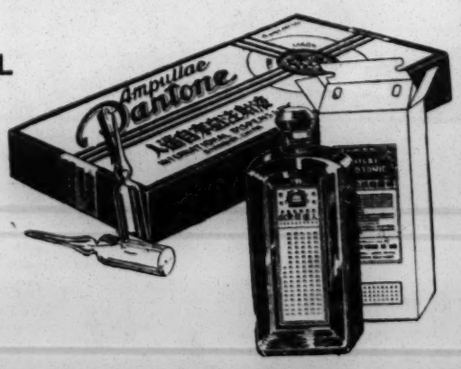
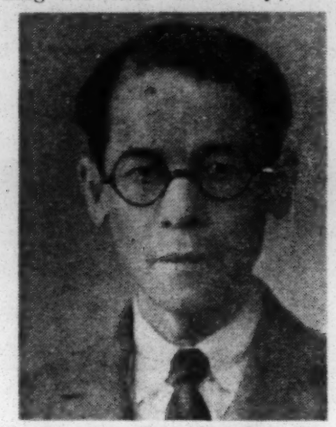


Who's Who in China

Bismark Mu Wen-fu, cultural worker; Mohammedan; native of Chekiang; born and educated in Peiping; studied political science at the Peking National University; B. A.



穆文富字樂天

Bismark Mu Wen-fu

Peiping National Normal University; editor-in-chief of *The Mohammedans*, a supplement published in the *Hua Pei Jih Pao* in Peiping, 1933; member of the Sinkiang Construction Planning Committee of the Executive Yuan, Nanking, 1934; taught English and civics in various high schools in Peiping, Shanghai, Changteh (Hunan), Nanning (Kwangsi) and Kunming (Yunnan) since 1930; he is now working at the General Office of the Central Cultural Administration in Chungking; as one of the young Chinese Mohammedan leaders, he is the author of number of articles and books on Mohammedanism, including "The Problem of the Chinese Mohammedans," "A Short History of Turkish Regeneration," and tranlator of A. A. A. Fyzee's "Introduction to the Study of Mohammedan Law;" address: c/o Wang Ching-chai Ahung, the Mosque, Shih Pa Ti, Chungking.

Chengtu Mission Hospital Gutted by Mystery Fire

A fire of mysterious origin gutted the hospital for women and children operated by the United Church of Canada in Chengtu, Szechwan capital, during a Japanese air-raid on that city on May 2, *United Press* reported. Property valued at U.S.$25,000 was reported to have been destroyed. A *Reuter* report from Chungking did not state that an air-raid was in progress when the fire occurred, but said that incendiarism was suspected. In this connection it was recalled that four fires had occurred in Chengtu within three months. On Feb. 19, the Dental School of the West China Union University was destroyed by fire, while two middle schools were gutted later. The fire at the Canadian Hospital started in the basement at 2 o'clock in the morning and burned fiercely for six hours. No lives were lost, but a nurse received slight injury. Miss Mary Crawley, another of the nurses, saved part of the hospital records, drug supplies and a quantity of radium.

Men and Events

Lloyd Lehrbas, well known in China as a member of the Shanghai Bureau of *Associated Press* at the beginning of the Sino-Japanese hostilities in 1937, received honorable mention for his dispatches from Warsaw, Bucharest and Ankara, in the annual distribution of Pulitzer prizes in literature and journalism in New York on

Honored

Lloyd Lehrbas

May 6. Mr. Lehrbas was in Warsaw at the time of the Nazi invasion of Poland and his description of the German bombing was headlined in newspapers throughout the United States. Otto D. Tolischus of the Berlin Bureau of *New York Times* received the prize for "distinguished service as a war correspondent." The prize for distinguished reporting went to S. Burton Heath of *New York World-Telegram* for his exposure of frauds resulting in the conviction and imprisonment of Judge Martin T. Manton of New York. Bart Howard of the *St. Louis Post-Dispatch* received a prize for the best editorial writing and Edmund Duffy of the *Baltimore Sun* for the best cartoon.

*

The Counsellor of Legation, Dr. Lautenschlager, of the Shanghai German Consulate-General, has been appointed German Consul at Manila.

*

Tomokazu Hori, former Japanese Consul-General at Nanking, has been assigned to the Information Bureau of the Tokyo Foreign Office.

*

Prof. Chang Peng-chun, formerly member of the faculty of Nankai University, and a recent delegate to the Institute of Pacific Relations, has been appointed Chinese Minister to Turkey.

*

Ted Thackrey, former editor of *The Shanghai Evening Post*, who returned to the United States in 1935, has been appointed executive editor of *The New York Post*.

J. W. Fraser, former press liaison officer of the Shanghai Municipal Council, who resigned recently after several years in the municipal service, has been appointed assistant secretary of the British Chamber of Commerce and the Shanghai branch of the British China Association.

*

The communications authorities in Tokyo have put up a notice in all post offices in the city warning writers of letters to relatives and friends in foreign countries not to include statements "unfavorable to Japan." The notice also warned letter writers to use the English language when writing to places in the British Empire, "in order to avoid undue delay by British censors."

*

Admiral Thomas C. Hart, Commander-in-Chief of the U. S. Asiatic Fleet, and his staff, were guests of the British Royal Air Force Association at luncheon on May 3. Sir Victor Sassoon, chairman of the organization, presided and proposed a toast to the American Commander. More than 70 members of the organization were present.

*

K. A. Eddy, formerly of Chicago, an aviator in the employ of the Elizalde Company at Davao, Philippine Islands, was killed on May 2 when his plane struct a steam roller while taxi-ing across the field for a take-off. Mr. Eddy was an experienced aviator, having previously served in the U. S. Army Air Service in the Philippines.

American river patrol boats USS Guam and Luzon, departed this week for calls at cities along the Yangtsze. The USS Augusta probably will remain at Shanghai for several days before proceeding to Tsingtao.

*

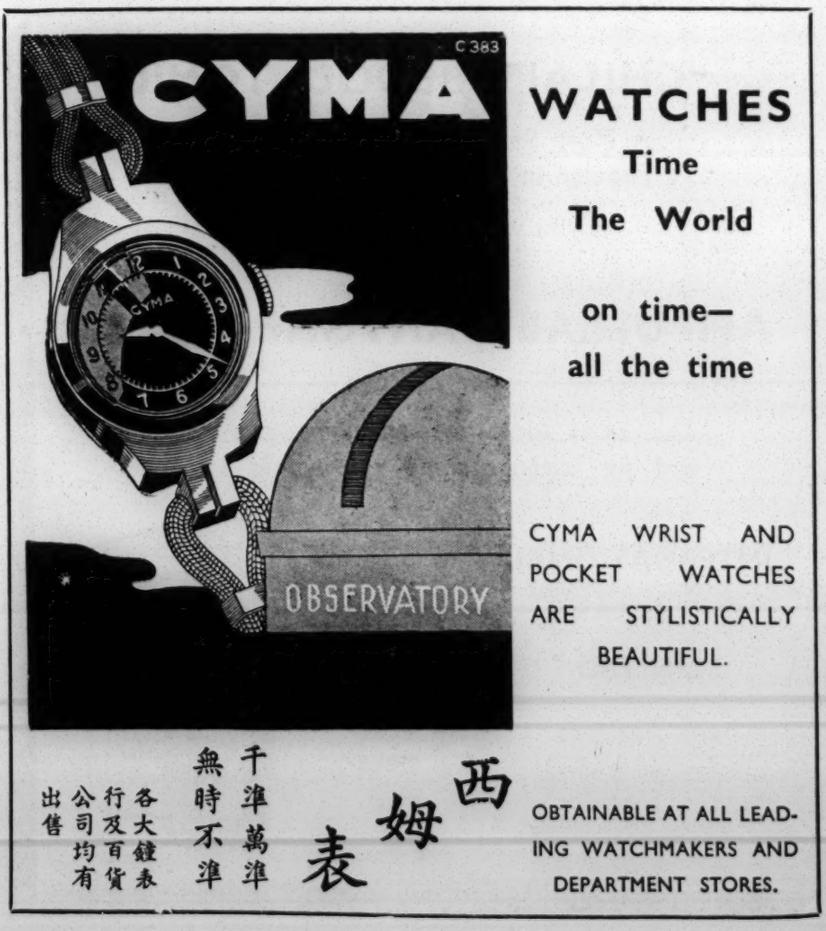
Felix Morley, editor of *The Washington Post*, who travelled in the Far East several years ago and wrote a book, "Our Far Eastern Assignment," which attracted wide attention, has been appointed president of Haverford College. Mr. Morley will succeed Dr. W. W. Comfort, who has been president of Haverford for many years.

*

Admiral Seizo Kobayashi, Governor-General of Formosa since 1926 and previously Commander-in-Chief of the Japanese First Fleet, may shortly resign, according to recent report in the *Miyako*. The paper said that if Admiral Kobayashi did resign, Admiral Kichisaburo Nomura, former Tokyo Foreign Minister, might be appointed to the position.

*

Dr. Huang Tse-fang, Chinese health expert, died at Queen Mary Hospital in Hongkong on May 4 at the age of 41. He is survived by his wife and two children. Dr. Huang was born at Amoy and received his education at Rush Medical College, Chicago. He was health adviser to the Shanghai - Nanking - Hangchow railways prior to the Japanese seizure of these lines.



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The U. S. Senate, on May 3, overrode by a vote of 76 to 3, a bill providing travel grants to veterans of the Spanish-American War who served in the Philippines. President Roosevelt said the veterans had already received compensation from the Philippines at the end of the war.

*

Miss Anne Seeholtz, an American lecturer, arrived in Chungking recently for the purpose of collecting information for a series of lectures. Her tour is being arranged by the Fellowship of Reconciliation and the Federal Council of Churches.

*

Catholic missions and churches have cared for 782,700 war refugees and Catholic hospitals have given 10,324,000 free treatments to refugees and destitute persons since the beginning of hostilities, according to *United Press* report from Chungking.

*

The American Junior Chamber of Commerce of Shanghai has announced the beginning of a three-months' course of lessons in the Chinese language. Tuition will be Ch.$50 for the term. The Junior Chamber has been sponsoring lessons in the Chinese language, both Shanghai dialect and Mandarin, for the past four years.

*

Lady Clark Kerr, wife of the British Ambassador to China, served as sponsor for a charity show in Chungking on May 4, which netted $16,000. The charity show featured "Snow White and the Seven Dwarfs," and extended from May 4 to 7. The money was presented to Madame Chiang Kai-shek for her war orphanages.

*

The Hongkong and Shanghai Hotels, Ltd., had their most profitable year, according to the report of the annual meeting held in Hongkong last week. Especially profitable were the Palace Hotel in Shanghai "which yielded a very pleasant result," according to the chairman. The ancient Astor House, located in Hongkew, which was leased to the Japanese for three years, "also is working smoothly and yielded a satisfactory year." The Wagons Lits Hotel in the Legation Quarter, Peiping, "equally showed excellent results and furnished a record profit." The hotels in Hongkong were not quite so satisfactory, from a profit point of view, and, unfortunately, the devaluation of Chinese national currency largely offset the good results elsewhere, that is, "in terms of Hongkong dollars," stated the report.

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M. Jean Dubois, manager of Sennet Freres, well-known French jewellery firm in the Far East, was fatally shot by Chinese robbers who attempted to rob the store in Hongkong on May 2. One of the shots passed through his abdomen, causing his death on May 3. The robbers entered the store while guests were arriving at a fashionable wedding at the Hongkong Hotel, which adjoins the jewellery store. Mr. Dubois was of Swiss nationality. Prior to his appointment as manager of Sennet Freres, Mr. Dubois had been manager of Ullman and Company, a German jewellery firm.

•

The Missouri Society will hold its second annual dinner and get-together at Jimmie's Winter Garden at Jessfield on Wednesday evening, May 22. Between 80 and 100 guests are expected to attend. At the recent annual meeting of the Society at the home of Major and Mrs. Arthur Bassett, Dr. W. J. Isenman was elected president. Dr. Isenman is a member of the dental firm of Smith and Isenman. Judge Milton J. Helmick was re-elected vice-president and J. G. Schaberg of the Texas Company was elected secretary-treasurer. Maurice Votaw, former secretary-treasurer of the Society, who is a member of the faculty of St. John's University, is now in Chungking on leave and will not return to St. John's until next year.

Dr. J. L. Caughey, pastor of Community Church, and Mrs. Caughey, are scheduled to depart from Shanghai for the United States on six months' furlough, beginning next week. They will sail on the President Coolidge and plan to return to Shanghai in October. Dr. Caughey came to Shanghai a year ago as a guest pastor, but his service was so satisfactory that he was invited to remain. The annual meeting of Community Church was held on Wednesday evening, May 8 and followed the breaking of ground for the new addition to the church premises.

•

The Japanese police in Niigata Prefecture recently arrested an unlicensed doctor named Ichienmon Wada on the charge of practicing without a license. He was taken into custody on March 15 for examination, but when his premises were searched on March 24, a human skeleton was found concealed under the floor. Further questioning of the "doctor" finally brought the confession that the skeleton was that of his father, who had died two years ago. He had secretly exhumed his father's body and for a considerable time had been supplying a special "cure" for tuberculosis which was made from the pulverized bones. The medicine had been supplied to more than 1,000 people in the village, according to the report in the *Japan Chronicle*, April 4.

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A Foreword to each volume of the I.P.R. Inquiry Series listed above explains the character of these publications, each of which is attractively printed and bound in blue paper. The Forewords are by Edward C. Carter, secretary-general of the I.P.R. Each study "forms part of the documentation of an inquiry organized by the Institute of Pacific Relations into the problems arising from the conflict in the Far East." Each book has been prepared by the individual whose name is on the title page, with the general cooperation of three advisers: Professor H. F. Angus of the University of British Columbia, Dr. J. B. Condliffe of the London School of Economics and M. Etienne Dennery of the École des Sciences Politiques.

The purpose of the series is "to relate unofficial scholarship to the problems arising from the present situation in the Far East." This includes "economic and political conditions which produced the situation existing in July 1937, with respect to China, to Japan and to the other Powers concerned, an evaluation of developments during the war and finally, an estimate of the principal political, economic and social conditions which may be expected in a post-war period."

T. A. Bisson of the research staff of the Foreign Policy Association, New York, and author of *Japan in China*, published in 1938, gives 96 pages of text in the volume *American Policy in the Far East: 1931-1940*, as well as forty pages of diplomatic and other documents illustrative of American interests and affirmations in regard to the developments of the past ten years in the Far East. Events since 1931 reveal the United States Government as reaffirming its principles of equal opportunity, the open door and the territorial integrity of China. "When the realities behind these phrases have been challenged, the American government has not sought to enforce them by reckless and irresponsible resort to armed force. Yet it has never surrendered them."

"It is sometimes asserted," writes Mr. Bisson, "that China, if subjected to complete Japanese control, would undergo an industrial evolution that would redound to the advantage of the United States. All evidence, past and present, tends to refute this assertion. Only an independent China can be expected to undertake and carry to completion a fully rounded program of economic development." Over against this, too, is the more important fact: "The forces of Chinese nationalism have spread too wide and gone too deep to permit of a *pax Japonica* in East Asia."

The volume *German Interests and Policies in the Far East* is by Dr. Kurt Bloch, one-time economic and financial adviser to the National Economic Council of the Chinese Government. It is interesting to be reminded of the part played by Germans in China's military reorganization following the ousting of Russian military advisers in 1927. General von Seeckt, remarks Dr. Bloch, "is regarded as having really laid the foundation for the organization of the modern Chinese Army by drafting the basic plan on which Falkenhausen worked." But already in economic relations Germany was drawing closer to Japan than to China, and Dr. Bloch's comment is interesting that "in 1913 only about half as much German tonnage entered and cleared Japanese as Chinese ports, while in 1935 German tonnage in Japanese ports was nearly one-and-a-half times as great as in Chinese ports." On February 20, 1938 Chancellor Hitler announced his recognition of Manchukuo and "expressed the hope that Japan would be able to serve in China as a more reliable and stronger bulwark against bolshevism than the Chinese National Government." An interesting hope this, in the light of the German-Russian agreement in August of the following year. "Today," remarked Hitler, "we really have no desire at all to be invited to return to Eastern Asia." And so the German military advisers were brusquely ordered home, theirs not to reason why, even though General Falkenhausen at Singapore stated his conviction that China would be ultimately victorious.

The volume in this series by Jack Shepherd, *Australia's Interests and Policies in the Far East*, is the stoutest of all the volumes under review, running to 201 pages. The volume on *New Zealand's Interests and Policies in the Far East*, by Ian F. G. Milner, goes to 121 pages. It is the reviewer's opinion that a considerable amount of detail might have been left out of the volume on Australia without any serious loss, and the material on Australia and New Zealand combined into a single volume. New Zealand's trade is by a vast predominance with the United Kingdom. It is also true, however, that in New Zealand's trade with the Far East, which is predominantly with the Netherlands East Indies and Japan, the balance is favorable in every case to the Far Eastern country concerned. Both of these dominions have an economic interest, but no great political stake in events of the Far East.

Mr. Shepherd's conclusion is that Australia's needs can be stated very briefly. "She would seek the restora-

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In the United States Court for China

TATIANA NICHOLAS LAVROV, *Plaintiff,* vs. SERGEY EVAN LAVROV, *Defendant.*	Cause No. 4479 Spec. Pro. No. 2358 ORDER Filed at Shanghai, China, April 29, 1940 WILLIAM T. COLLINS *Clerk.*

The object of this suit is an action for DIVORCE.

WHEREAS, plaintiff herein, by her attorneys, has this 25th day of April, 1940, made application for the substitution of publication for personal service upon the defendant herein; and

WHEREAS, it appears from the files in this case that on the 26th day of April, 1940, the summons for defendant was returned by the United States Marshal for China with the following noted thereon: "Defendant cannot be found within the jurisdiction of this Court"; and

WHEREAS, it appears from the files in this case that in the 25th day of April, 1940, the plaintiff herein filed an affidavit to the effect that the defendant does not now reside in China, nor has he resided therein since more than one year last past, and that defendant's last known address was No. 108 Austin Road, Kowloon, Hongkong.

NOW, THEREFORE, it is this 29th day of April, 1940 ORDERED that service upon the defendant be made by publication once a week for three consecutive weeks in the CHINA WEEKLY REVIEW, a paper of general circulation most likely to reach the defendant.

IT IS FURTHER ORDERED that the defendant cause his appearance to be entered herein on or before the fortieth day, exclusive of Sundays and legal holidays, occurring after the 18th day of May, 1940, the day of last publication of this Order; otherwise the case will be proceeded with as in case of default.

BY THE COURT:

Dated at Shanghai, China,
this 29th day of April, 1940.

MILTON J. HELMICK.
Judge.

WHERE ARE THE CHINESE LEADERS?

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tion of the Far Eastern markets, of which she had such high hopes a few years ago and which she has very largely lost during the present struggle; and much more important still she would ask that any settlement restore to her that sense of security which Britain's naval supremacy, the Anglo-Japanese Alliance, and more recently the Washington treaties and the League system once assured her." Here lies the substance of the matter; apart from considerations of Great Britain's Far Eastern policy Australia and New Zealand have no great part to play in the Far Eastern scene. Australia might play a vital part if she would open up her territory to at least a limited immigration from Asia. To this the Australians have an answer: "Every expert investigation has shown that Australia has no empty and fertile areas. The fertile areas are already occupied." And that answer Mr. Shepherd seems to accept.

D. R.

Reich Red Cross Head Decorated by Hirohito

Charles Edward, Duke of Saxe-Coburg Gotha, president of the German Red Cross Society, was decorated recently by the Emperor of Japan, receiving the Order of the Rising Sun, First Class, with Grand Cordon, *Domei* reported May 3. Herr Heinrich Georg Stahmer, an aide of the Duke, was given the Second Class Order of the Rising Sun, while Herr Fritz von Grolmann received the same order, third class.

Prince Kotohito Kanin, chief of the Japanese Army General Staff and president of the Japan Red Cross Society, gave an elaborate dinner party for the Duke of Saxe-Coburg Gotha on May 2. The party took place in the prince's palace, and was attended, among others, by the German Ambassador to Tokyo, Major-Gen. Eugen Ott and high officials of the German Embassy.

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